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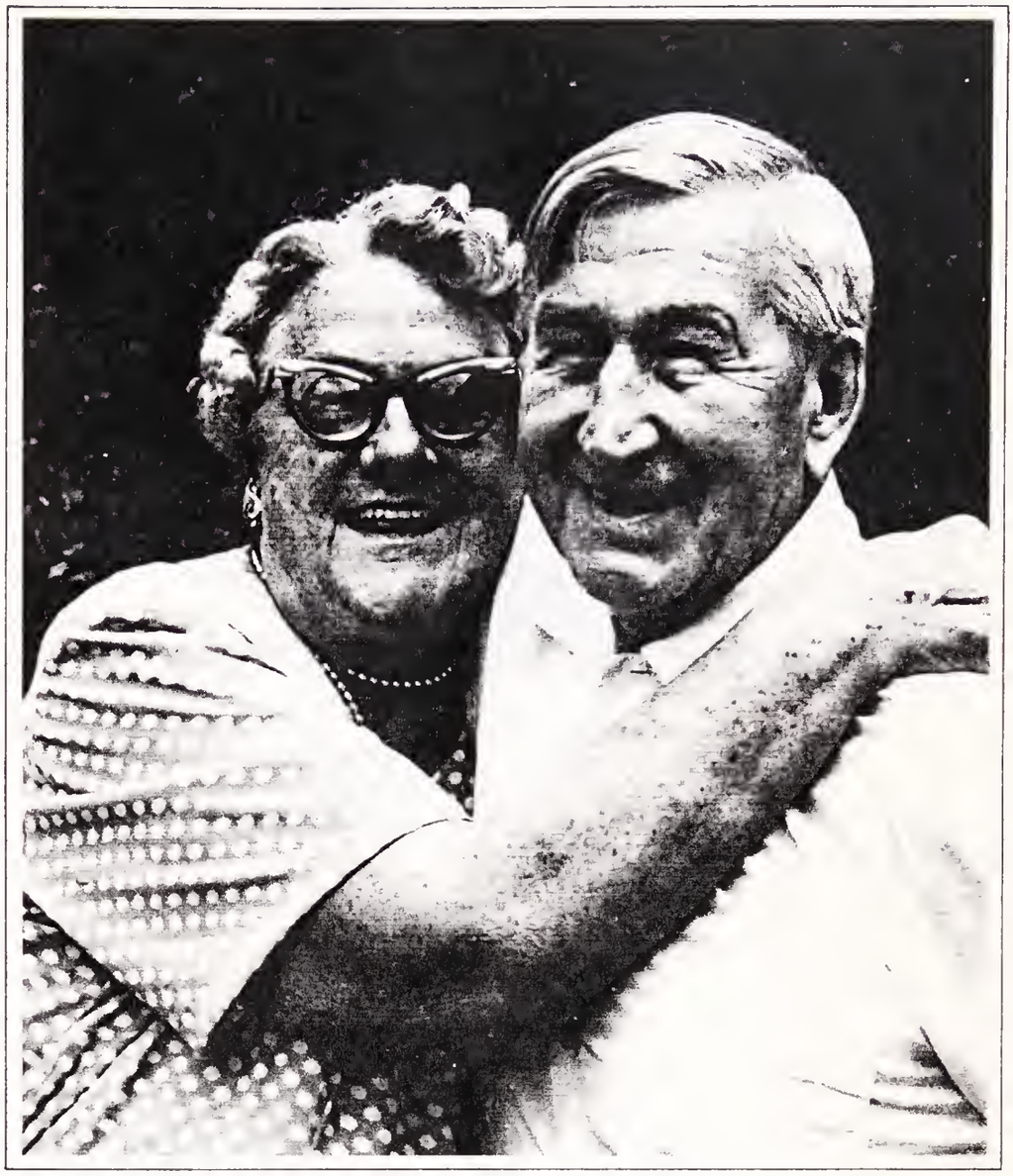

Coming of Age:

Toward A National Retirement Income Policy

PRESIDENT'S COMMISSION
ON PENSION POLICY

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Toward A National Retirement Income Policy

PRESIDENT'S COMMISSION
ON PENSION POLICY

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February 26, 1981

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Executive Summary

Retirement Income Goals:

The Commission believes that the replacement of preretirement disposable income from all sources is a desirable retirement income goal.

Strengthening Employee Pensions

Minimum Universal Pension System

The Commission recommends that a Minimum Universal Pension System (MUPS) be established for all workers. The system should be funded by employer contributions. The Commission further recommends that a 3 percent of payroll contribution be established as a minimum benefit standard. All employees over the age of 25, with one year of service and 1,000 hours of employment with their employer would be participants in the system. Vesting of benefits would be immediate.

Under a MUPS, current pension plans that did not meet the minimum standards would be amended to provide equivalent of what a MUPS would provide. The MUPS benefit would be a supplement to social security benefits and could not be integrated with social security. The MUPS benefit should be portable. A portability clearinghouse for benefit records should be established in the Social Security Administration.

To help mitigate the costs of a MUPS for employers and employees, it is recommended that the program be phased in over three years. In addition, a special MUPS tax credit for small business should be available. Employers should be able to take a tax credit of 46 percent of their contribution to a qualified plan, up to a limit of 3 percent of payroll.

Employers should be encouraged to maintain the accumulated funds in pension trusts or in arrangements with insurance companies and other financial institutions. However, those employers who do not wish to administer an employee pension plan could send their contributions to the portability clearinghouse within the Social Security Administration. These funds would be transferred to a central MUPS portability fund which would be established to invest the funds in the economy. The fund should be administered by an independent Board of Trustees appointed by the President.

Vesting and Portability

1. For pension benefits above the MUPS minimum the Commission recommends that ERISA's vesting standards should not be changed. However, the Commission urges voluntary changes to shorter vesting schedules, especially for mature plans.
2. The Commission recommends that all cash-outs of pension benefits over $500 be prohibited unless transferred to an IRA or the plan of a subsequent employer. The Commission strongly urges government and the private sector to take steps to encourage and facilitate the use of the IRA as a portability mechanism.

Integration

1. The Commission recommends that benefits provided under a MUPS should not be integrated with social security. Because the benefits from such a system are intended to provide a minimum supplement to social security, it is inappropriate and inconsistent both with the purpose of integration and of such a pension system.
2. The Commission recommends that changes be made to the current integration rules so that the result is consistent with the fulfillment of retirement income goals.
3. The Commission also recommends that integration rules be made less complex.

Spouse Benefits

Postretirement Survivor Protection: Postretirement survivor protection under the pension plan should be mandatory unless there are extenuating circumstances for the couple. Couples may waive the joint and survivor option by jointly signing such a waiver under circumstances

where each spouse is a willing and knowledgeable signator.

Preretirement Survivor Protection: The 50 percent joint and survivor option should be provided automatically to the survivors of workers who die in the 10 year period prior to normal retirement age of the plan. Also, the Commission recommends that both the employee and the spouse would have to agree to opt out of this automatic provision. At earlier ages where benefits are vested, survivor protection should be provided either through the pension plan or through life insurance.

Protection upon Divorce: In cases of separation or divorce, the pension entitlement earned during the marriage should be divisible. This recommendation should not be construed to weaken present non-alienation of benefits provision under ERISA.

Retirement Ages

1. The Commission recommends that ERISA should be amended to permit private pension plans, on a voluntary basis, to increase their normal retirement age in tandem with social security.

   As in the private sector, public employee pension plans should increase their normal retirement age in tandem with social security. A retirement age policy that parallels that of social security is recommended for all federal retirement programs. Under this recommendation, the current social security normal retirement age of 65 would be phased in for new retirees. This age would increase in tandem with increases in the social security normal retirement age. Early retirement benefits would be actuarially reduced for new retirees.

   The Commission expresses concern about the payment at very young ages of old age pension benefits to public employees in hazardous occupations. In particular, the Commission believes it is inappropriate to use pension plans largely as recruitment, retention and separation devices. The Commission recommends that other methods be found to carry out these functions and that pension programs be used solely to provide retirement income.

   State and Local Government Plans

   The Commission recommends that, because state and local government employees deserve the same protection as employees in the private sector, a Public Employee Retirement Income Security Act (PERISA) should be enacted covering the same areas of concern as covered by ERISA.

   Ownership and Control

1. The Commission believes that concerns relating to the ownership and control of pension fund assets are among the most important social and economic public policy issues facing the nation in the upcoming decades. This Commission, while it realizes their importance, does not believe that enough is now known about these complex legal and economic issues to enable it to make conclusive recommendations.

   In the interim the Commission recommends that Congress and the President continue research and policy development; and to encourage public debate, the Commission further recommends the establishment of a Presidential Commission.

2. In the interim, the Commission recommends that ERISA's prudence standards not be construed so as to narrow normal prudence standards to prevent pension funds from taking into account the broader social interests of the pension plan beneficiaries in making investment decisions.

Strengthening Social Security

Financing

1. To solve the short run financing problems, the Commission recommends that there should be interfund borrowing and an acceleration of the scheduled payroll tax rate increases.

   The Commission recommends the normal retirement age of 65 for social security should not be raised for working people who are approaching retirement age. However, to help solve the long-run financing problem, an increase in the normal retirement age to 68 should be phased in over a 12 year period beginning in the year 1990. The social security early retirement age, now 62, should be raised to 65, in tandem with the normal retirement age. Disability benefits should be available through the normal retirement age.

Universal Social Security

The Commission believes that individuals who are already retired and workers eligible for immediate retirement should not be affected by any modification of a pension system caused by coordination with social security coverage. Social security should not replace an existing pension system for noncovered workers. Rather, an existing system should be modified to take into account benefits available under social security.

The Commission recommends mandatory universal social security coverage. Specifically the Commission recommends extending social security coverage to all new workers who otherwise would not be covered. However, the Commission recommends that members of certain religious groups continue to be exempted from mandatory social security.

The Commission recommends that action be taken immediately to eliminate benefit gaps and unintended subsidies to workers who have not had substantial social security coverage.

The Commission recommends that the current option allowing covered government and nonprofit groups to withdraw from the social security program be terminated immediately and those groups be encouraged to elect coverage prior to the effective date of mandatory coverage.

Tax Treatment and Earnings Test

Contributions to, and benefits from, social security should receive the same tax treatment as do those of other retirement programs. At the time of filing, the employee would choose the higher of a tax deduction or a tax credit for the social security employee contribution. Social Security benefits would be included in taxable income. As this tax treatment is phased in, the social security earnings test should be phased out.

Spouse Benefits

1. The Commission recommends that earnings sharing be used upon divorce and that inheritance of earnings credits be provided to surviving spouses.

2. The Commission recommends that earnings sharing should not be used for the purpose of disability.

Special Minimum Benefit Under Social Security

The Commission recommends that the social security special minimum benefit be available to long-service workers to enable them to meet the Commission's retirement income goals. This special minimum benefit should be calculated to take into account receipt of employee pensions.

Miscellaneous Benefits

The Commission recommends that the student benefit, the young parent benefit and the parent benefit should be reexamined and put on a more rational basis.

Strenghtening Individual Efforts

Individual Savings

Favorable tax treatment should be extended to employee contributions to pension plans. A refundable tax credit for low and moderate income people to encourage voluntary individual retirement savings and employee contributions to plans is recommended. At the time of tax filing, the employee would choose the higher of a tax deduction or a tax credit.

Contributions and benefit limitations for all individuals should be treated more consistently for all types of retirement savings.

The tax treatment of savings specifically for retirement should be the same as the tax treatment of pension plans.

Employment of Older Workers

1. If the Commission recommendation on the tax treatment of social security contributions and benefits is adopted, then the social security earnings test should be removed. The earnings test limits should be phased out as the Commission's proposal concerning the exclusion of social security contributions and inclusion of benefits in taxable income is phased in.

2. Information on alternative work patterns should be encouraged and developed through research and demonstration programs in existing federal employment programs. Job retraining and job redesign for older workers in private industry also should be encouraged.

3. In conjunction with its recommendation to raise the retirement age, the Commission recognizes the problem of long-term unemployment among older workers and the use of early retirement under social security to solve this problem. Rather than utilize the social security system, consideration should be

given to improving unemployment benefits to provide both short-term income maintenance for these workers and to keep them in the labor force.

4. The ADEA has recently been amended to raise the permissible mandatory retirement age from 65 to 70. As yet there is little experience with the impact of this law on specific work forces, management practices and labor costs, but early indications are that any feared adverse effects on younger workers have been minimal. After sufficient experience has been gained, consideration should be given to eliminating mandatory retirement completely.

Disability

1. Disability benefits under the social security disability insurance program (DI) should be available through the age at which normal retirement benefits are available under social security. Therefore, in conjunction with the recommended changes in social security retirement ages, the age through which DI is available would move upward from 65 to 68 over the 12 year period beginning in the year 1990.
2. Further study at the federal level is needed to adequately address problems with disability programs. The Commission's work on disability should provide the groundwork for that study. Specifically, the merits of the following options should be the subject of further exploration and debate before specific recommendations are made to reform disability programs:

   a) a universal disability program;

   b) a ceiling and floor on replacement ratios for all disability benefits;

   c) a more effective use of rehabilitation; and job redesign and so forth, to encourage labor force participation;

   d) an occupational disability program for older workers.

Strengthening Public Assistance

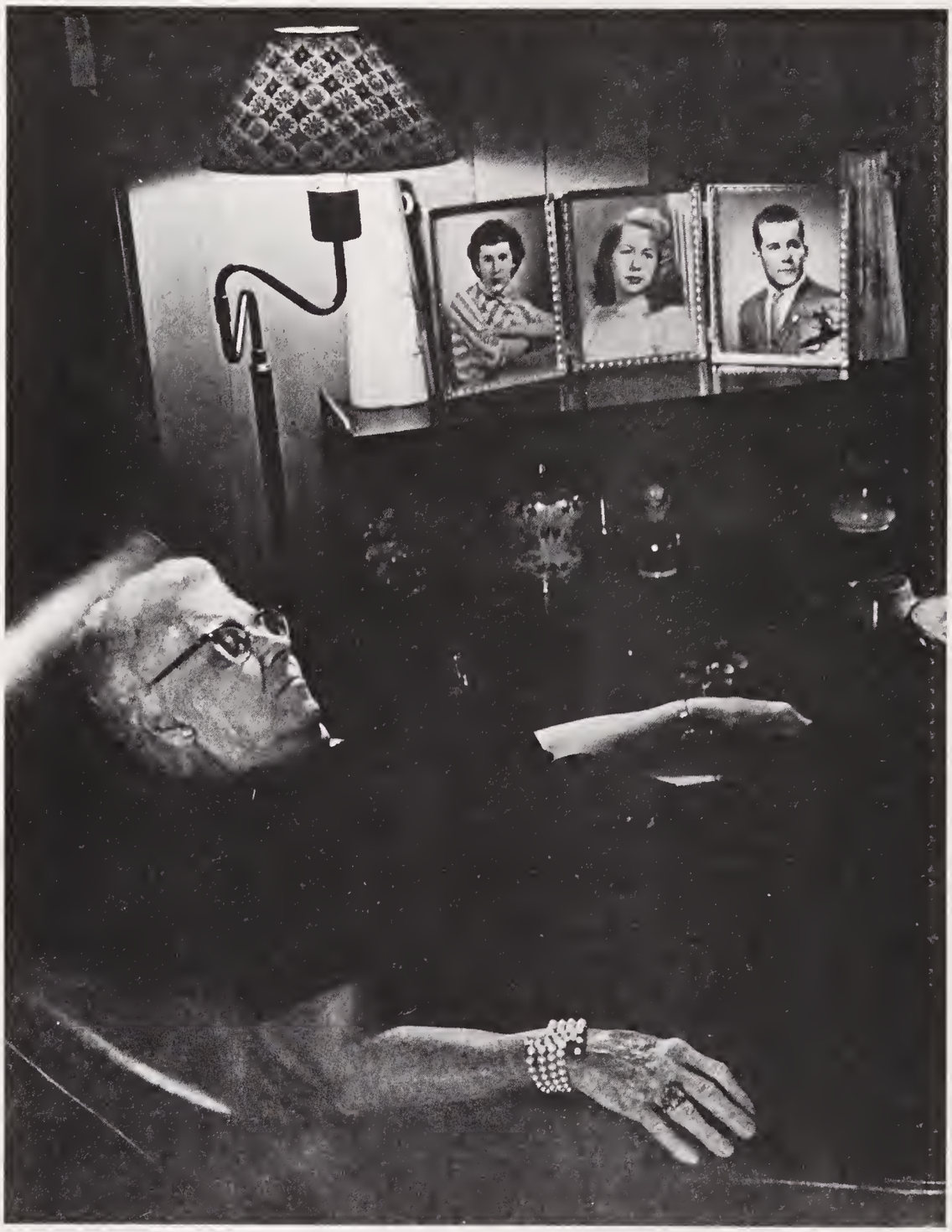
The Commission recommends that federal SSI benefits be set at the poverty line level and the assets test be eliminated.

Inflation Protection for Retirement Income

1. The Commission recommends that the Bureau of Labor Statistics develop a separate cost-of-living index for the retired.
2. The greatest emphasis should be placed on expanding pension coverage rather than providing full inflation protection to some at this time. Therefore, automatic inflation adjustments for employee pensions should be encouraged through tax polixy but should not be required at this time.
3. Retirement benefits from federal pension plans should be adjusted for inflation once, rather than twice, a year.
4. Until a new index is developed for the retired, federal pensions should be adjusted on the basis of average federal wage increases or the CPI, which ever is lower.

Administration

The Commission recommends consolidation of administration of all federal retirement systems; consolidation of ERISA administrative functions in one entity; an interdepartmental task force to coordinate executive branch programs dealing with retirement income, including federal plans; and new committees on Retirement Income Security, one in the House and one in the Senate, which would consolidate jurisdiction over all types of retirement income programs, including federal programs.



Introduction

The President's Commission on Pension Policy has been asked to examine the nation's retirement, survivor and disability systems and develop recommendations for changes that will address current problems and meet identified goals.

This report recommends a number of broad, long-range retirement income goals for the nation. In addition, a number of specific proposals are recommended to meet these long-range goals and to lead us through the transition to a balanced retirement income system.

After the turn of the century, an unprecedented shifting of older workers into retirement will begin to take place as the so-called "baby boom" generation grows older. Quite literally, this country's population will be coming of age.

As the population of the country matures severe strains will be placed on our already overburdened retirement income system. The inequities and inadequacies of the present retirement income system will become critical as more people retire and the active work force to support their retirement shrinks. Taken together, the nation's retirement income systems now deliver benefits to about 23 million older Americans.

The Commission believes that a serious crisis exists today in our retirement income programs. Unless deliberate action is taken in the next several years, future pension promises will be broken. Conflict among future generations of workers and retirees may increase if present conditions are allowed to persist.

The Commission believes that the country must implement a sensible, coordinated and comprehensive national retirement income policy. This report suggests ways in which policymakers can react positively to change rather than becoming overwhelmed by it. The report also details the major components of a national retirement income policy for the nation.

The need for an examination of retirement income programs and policies is clear when current problems are reviewed:

- lack of pension coverage for many;
- increasing dependency on pay-as-you-go programs;
- low benefits for some who are covered;
- excessive benefits for others;
- lack of coordination among programs;
- gaps in protection for women;
- inadequate incentives for retirement savings;
- inconsistent tax policies;
- erosion of benefits due to inflation;
- abuses in disability programs; and
- employment problems of older workers.

In many instances, the Commission's recommendations call for changes in federal laws governing retirement plans. In other cases, the Commission recommends that state and local governments develop new retirement policy. The Commission also suggests changes in retirement planning by employers and individuals.

A major objective of retirement income policy should be to insure that today's retirees and tomorrow's elderly are able to maintain a reasonable standard of living in their later years. This income should come from a variety of sources: social security, employee pensions, savings and earnings. In-kind benefit programs such as food stamps, housing assistance, and so forth, should be utilized only when other primary sources fail. The proposals contained in this report would dramatically reduce the role of these programs in the future.

We must evaluate the programs and policies which provide retirement income benefits. The nation has become too dependent on pay-as-you-go programs like social security to provide retirement income for older citizens. In addition, there is an uneven distribution of retirement savings and employee pensions among American workers.

In response to these problems, the Commission report contains a number of policy recommendations. The most comprehensive recommendations of the Commission are directed toward strengthening the employee pension system. The Commission recommends federal legislation to establish a national minimum funded pension system which would be required of all employers. Such a system would be financed by employer

contributions to either an employer-sponsored plan or a central portability clearinghouse. The benefits would be vested after short service and would be carried from job to job.

The particular plan recommended by the Commission should be especially attractive to both employees and owners of small businesses. The minimum standard would significantly reduce the administrative complexities often associated with pension plans. In addition, availability of a portability clearinghouse for benefit records and a portability fund for plan assets would allow employers the advantages of large pooled funds.

At a time when both the administration and Congress are seeking ways to provide tax relief, the Commission hopes that its financing program will be given serious consideration. The Commission is proposing a number of tax reductions for individuals and businesses that are specifically tied to programs to increase personal savings. By reducing business and personal taxes and increasing savings, the Commission's program offers the possibility of relieving some of the inflationary pressures that exist in the economy.

The Commission also believes that voluntary saving for retirement could be encouraged through new approaches to tax policy. The current tax treatment of retirement contributions and benefits is needlessly complex and inconsistent. In addition, current policies do not sufficiently encourage retirement savings for those in most need: low and moderate income wage-earners. And workers who are participants in pension plans have no incentive under current tax laws to lessen the impact of inflation on their retirement income by supplementing employer contributions with their own.

In addition, major changes must be made in the social security system. The social security financing structure must be reinforced. Social security's benefit structure must be responsive to increases in life expectancy and to social changes which have occured since its inception.

Perhaps the most serious problem facing social security is its ability to pay for benefits provided by the system. The Commission recommends raising the retirement age and extending social security coverage as a means of improving the long-term financing of social security. Borrowing among the social security trust funds and accelerating the scheduled social security tax increases may also be necessary to solve the short-term financial problems of social security. The Commission is opposed to using general revenues to finance social security programs.

The Commission concludes that the definition of "retirement" itself may need changing. Today, retirement is thought of as the transition from full-time employment to full-time leisure. This abrupt change in life-style can dramatically affect individual retirees. In addition, sudden and complete removal from the labor force, particularly if it occurs below the normal retirement age, may create undesirable financial dependency on our retirement and income transfer programs. While affirming the right of every American to full retirement at a stipulated age, the Commission also recommends ways to encourage work opportunities for older Americans.

The Commission recommends that employee contributions to social security receive favorable tax treatment through refundable tax credits or tax deductions. Inclusion of social security benefits as taxable income should be phased in. As this recommendation takes effect, the Commission further recommends that the earnings test under social security be eliminated. The Commission believes that the earnings test is a serious work disincentive for older employees.

Women have special problems in accruing pension credits which are identified and addressed in the report. Social security was designed at a time when most American women were lifelong homemakers who depended upon their husbands for support. Circumstances have changed, but the social security benefit structure has not. Added problems exist for women and spouses in employee pension plans. Entitlement to even a portion of the husband's pension benefit at death or divorce is frequently unclear or inadequate.

Currently, public sector retirees often receive more favorable treatment by their retirement income programs than do their private sector counterparts. In addition to improving the availability of pension benefits to private sector workers, the Commission makes several recommendations to eliminate excessive benefits provided by public pension systems. The Commission believes that its recommendations for universal social security coverage, once-a-year cost of living adjustments for federal workers, and increases in the normal retirement age for public workers will result in more equitable treatment of all workers by our retirement programs.

The Commission feels strongly that the problems it has identified must be ad-

dressed without delay. Major changes are necessary and it is still possible to make these changes on an incremental basis. But inaction will lead only to narrow, discriminatory and inequitable solutions in the future. Just as individuals must plan for retirement 20 to 30 years before it occurs, so must the country.

In summary, this report calls for a long-term shifting of dependency on pay-as-you-go financed federal programs such as social security, welfare and in-kind benefit programs to a balanced program of employee pensions, social security and individual effort.

The Commission does not suggest that these reforms of our present retirement income system will be easy. However, in order to preserve our present retirement income system for future generations of retirees and to protect the system's integrity for today's older Americans, serious difficulties must be acknowledged and overcome now.

Retirement Income System

Independent retirement living supported by pension benefits is a relatively new phenomenon. Only in the latter half of the 20th century has this way of life become possible for the majority of those who reach retirement age.

The growth of our retirement income structure has been most dramatic over the past several decades. In 1950, only about one-third of the aged population received income from retirement programs. Today, over 90 percent of the aged population receives some form of retirement income. Total retirement, disability and survivor benefits have grown from 2 percent of the Gross National Product in 1950 to over 8 percent in 1975.

The increase in the size of the retirement income system corresponds with a decline in the proportion of the aged with incomes below the poverty line. In 1960, over 35 percent of those age 65 and over had cash income below the official poverty line. In 1979, 15 percent of the aged had cash income below the poverty line.

The retirement income structure in the United States is composed of a wide variety of public and private retirement income programs. The social security system is the broadest program, covering about 90 percent of the work force. It currently provides benefits to about 95 percent of all aged retirees. There are approximately one-half million private employee pension systems, over 6,000 state and local employee pension systems and 68 federal employee pension programs. In addition, federal and state welfare programs provide income support to those retirees with very low incomes.

Growth of Retirement Income Programs

Social Security. As the nation changed from a largely rural society to an urban one, the need for old age and disability income protection became apparent. Urban workers could not rely on their children or their own ability to continue working in old age. With the Great Depression, the lack of income security for vast numbers of individuals led to enactment of the Social Security Act of 1935.

This Act is the single most important income security legislation in our history. While the Act itself was limited in the type and level of benefits provided, and in the type of workers covered, many policymakers in the 1930s envisioned expansion of the program in all of these areas. Their original designs have largely been met.

As it became increasingly clear in our country that urban workers and their families were not adequately preparing for a time when they could not earn wages — whether due to unemployment, old age, disability or death — Americans willingly and enthusiastically supported a government program that protected workers and their families from these hazards.

The social security program has significantly expanded its coverage, and it is almost universal in scope. In 1940, the program covered roughly 55 percent of all workers. Today, the percentage has grown to 90 percent (table 1). The vast majority of those remaining outside the program are protected through other government programs.

The social security program also expanded the types of benefits provided. In 1939, survivor and spouse benefits were provided to workers' wives. In 1956 and 1965, disability and health care protection were enacted. More recently, in 1972, various state and federally subsidized welfare programs in the social security system were consolidated under federal administration forming the Supplemental Security Income program (SSI). This program is financed through general revenues.

Employee Pensions. The federal government has sought to encourage the establishment of employee pensions as a source of retirement income through the use of tax policy. Tax legislation has permitted a variety of important exemptions for qualified pension plans which reduced potential tax revenues by an estimated $15 billion in 1980. This partial financing of employee pension systems through tax exemptions has been justified as a means of encouraging retirement savings by low and moderate income people who otherwise could not afford to save.

Growth in employee pension plans was significant during the 1940s and 1950s, in part due to a combination of high corporate profits, taxes and the tax advantages associated with establishing a pension plan. However, other factors were important to the growth of employee pensions.

TABLE 1

GROWTH IN RETIREMENT COVERAGE
(% OF COVERAGE FOR SPECIFIC LABOR FORCES)

	1940	1950	1960	1970	'75	'77
SOCIAL SECURITY COVERAGE OF ALL PAID EMPLOYMENT	55[1]	65	88	87	90	90
FEDERAL EMPLOYEE RETIREMENT COVERAGE OF ALL FEDERAL EMPLOYMENT	APPROXIMATELY 100	100	100	100	100	100
STATE & LOCAL RETIREMENT COVERAGE OF ALL STATE & LOCAL EMPLOYMENT	NA	NA	82[2]	83[3]	NA	87
PRIVATE PENSION COVERAGE OF NON-GOVERNMENT WAGE & SALARY NON-AGRICULTURAL EMPLOYMENT	14.5	25.0	40.8	45.1	48.6	NA

[1] for year 1939
[2] for year 1962
[3] for year 1972

Source: *Economic Report of the President*, January 1980, Table B, 34. Social Security Bulletin, Annual Statistical Supplement, 1976, Table 7, Special Analysis of the Federal Budget 1981, Table 1-4, p. 288. Statistical Abstract, 1979, Table 543, p. 339. Social Security Bulletin, November 1977, p. 27.

PRESIDENT'S COMMISSION ON PENSION POLICY

Pressure from labor organizations whose wage demands were restricted by World War II labor policies led to demands that management negotiate over pensions. As a result, pensions became a fringe benefit that both labor and management viewed as desirable. The desire to meet genuine needs for retirement and survivor protection as well as personnel management objectives such as employee recruitment, retention, and separation increased interest among employers to establish employee pension plans.

While it is impossible to estimate how much of the growth in private pension coverage is due to tax treatment alone and how much to other factors, its growth since 1940 has been impressive. The tax treatment of pension contributions and benefits was certainly a contributing factor.

However, the rate of pension growth has slowed significantly. As coverage passed 40 percent, the rate of plan formation in proportion to the labor force leveled off. Much of the gain in absolute numbers of people covered can be attributed to the overall growth of the labor force. The low rate of increase since 1960 raises doubts as to whether there will be substantial voluntary gains in the future without considerably more or different economic incentives or new retirement income policies.

Estimates indicate that about half of the private work force currently participates in at least one of the half million existing private pension plans (table 2). About 85 percent of state and local workers are covered by pension plans, and virtually all federal personnel are covered by one of the federal pension systems.

The Relative Roles of Our Retirement Systems

The cornerstone of our nation's retirement income system is the social security program. When social security was established in 1935, it was intended to provide a minimum floor of retirement income. It was expected that other sources of retirement income such as private pensions and personal savings would supplement these minimum retirement benefits. Together, those sources were to provide an adequate retirement income. Generally, these three sources of retirement income are referred to as the three-legged stool. A potential fourth leg, earned income, has been declining in importance for years as a source of income for the aged population.

Social security paid 28 percent of all retirement, disability and survivor benefits in 1950. Its share of benefit payments more than doubled by 1980, while the share of the benefits paid by public and private employee pension plans decreased. By 1980, federal programs including social security, railroad retirement and federal employee plans, accounted for 78 percent of benefits paid, private plans ac-

TABLE 2

PRIVATE PENSION PLAN COVERAGE

(active workers, both full-time, and part-time, excluding self-employed)

AGE, YEARS ON JOB, AVERAGE WEEKLY HOURS	PRESIDENT'S COMMISSION ON PENSION POLICY HOUSEHOLD SURVEY 1979			DOL/SSA CURRENT POPULATION SURVEY		
	PERCENTAGE					
	ALL EMPLOYEES	MALE	FEMALE	ALL EMPLOYEES	MALE	FEMALE
TOTAL	42	51	32	43	50	31
UNDER AGE 25	27	33	20	19	22	15
AGE 25 AND OVER	47	56	36	52	60	38
ERISA STANDARDS (more than 1 year of service + 1000 hours)	58	64	48	61	67	50

Source: President's Commission on Pension Policy/Department of Labor/Social Security Administration, 1979.

counted for 14 percent and state and local plans 8 percent (chart 1).

Social security is a social insurance program and is intended to be universal in scope. In 1981, 19.8 million retired workers, 2.9 million disabled workers and 13.2 million dependents and survivors are expected to receive income from social security.

Social security is designed to provide a floor of income protection to retired and disabled workers and their families. While social security alone is not sufficient at any income level to maintain preretirement living standards for single people or two-earner couples, benefits do provide a basic foundation of income support. Social security combines the goals of equity and adequacy by providing a benefit that bears some relation to preretirement earnings while also weighting benefits in favor of lower-income workers.

The proportion of preretirement average wages, or replacement rates,provided by the social security benefit is shown in table 3. These hypothetical rates assume continuous work histories for workers entering the labor market in 1981. The higher replacement rates are targeted to the lower income individuals. It is assumed that these individuals would experience financial hardships if their incomes were further reduced, and it is likely that they have little opportunity to prepare themselves for old age or disability. When reading this table, it should be kept in mind that social security was designed to function in coordination with other sources of retirement income.

Employee pension programs are crucial components of the U.S. retirement income system. Income from these programs provides a necessary supplement to the benefits provided by social security. Employee pension income is a form of indirect individual savings and, as such, is an important source of capital to the economy. These pension programs are less affected by demographic changes than social security.

Employee pensions are compensation programs designed to provide earnings and service related benefits. These programs typically reward long service, higher paid workers. Benefit levels vary by preretirement earnings, length of service and by the benefit objectives of a particular employee pension plan.

Individual savings is an important component of retirement income. Assets accumulated during working years help offset a drop in income which accompanies retirement. Generally, individual savings is viewed as a necessary supplement to social security and employee pensions, rather than as a source of income expected to satisfy all retirement income needs. Saving for retirement is consistent with the nation's emphasis on individual initiative. National policy has assumed that individuals should be directly responsible for at least part of their own retirement

needs. Moreover, savings has a positive effect on the economy.

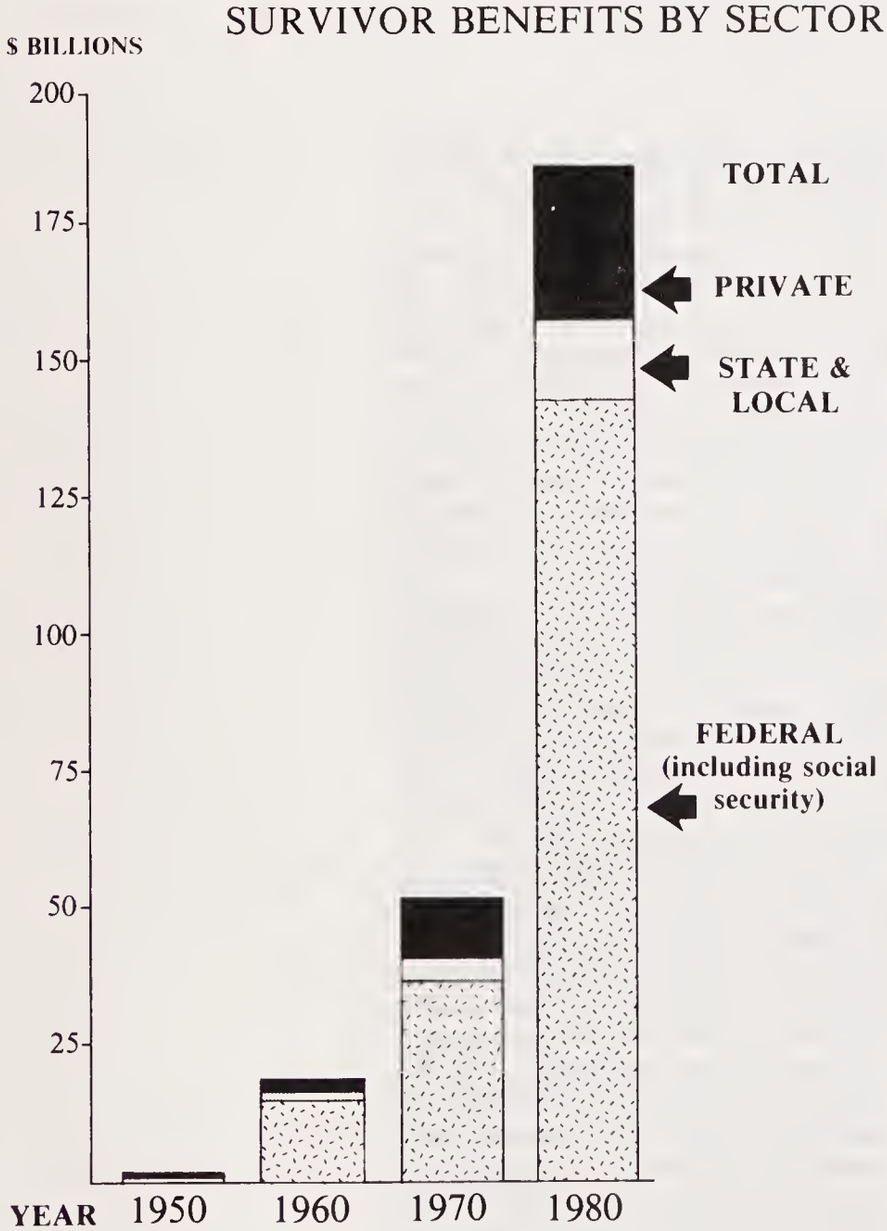
Traditionally, *public assistance* or means-tested programs for the aged and disabled were targeted to those who receive little or no income. The need for welfare programs was expected to diminish as social security and other pension programs matured.

However, the growth of social security and other pension programs has reduced but not eliminated the need for public assistance. In 1972, the federal-state adult assistance programs were federalized and combined into the current federal Supplementary Security Income program which may be supplemented also by the states. At the end of 1979, there were 1.9 million persons over age 65 and 2.3 million people below age 65 receiving assistance through the program. Most of the aged recipients, usually women, also received minimal social security benefits.

Retirees, generally, have relied on social security to provide most of their total income, although the relative roles of the sources of income vary with total income level (chart 2). In 1978, approximately 60 percent of aged family units had total incomes below $9,000. Thus, as chart 2 illustrates, most were relying on social security to provide well over half of their total income. Social security provided nearly 65 percent of the total incomes for those with incomes of $6,000 and 75 percent for those with incomes of $4,000. Social security contributed about 16 percent of the total income of those whose family income was $20,000 or more. For these people, earnings contributed over half of the total income.

Employee pensions and savings were fairly constant proportions of total income except for those whose income was very low. Together, however, employee pensions and savings accounted for only about one fourth of the total income of all aged retirees.

CHART 1 RETIREMENT, DISABILITY AND SURVIVOR BENEFITS BY SECTOR



Source: President's Commission on Pension Policy, 1981

Retirees who rely on social security as their only source of income had a mean total income of $3,100 in 1978.

TABLE 3

HYPOTHETICAL LONG-RUN SOCIAL SECURITY REPLACEMENT RATES COMPARED TO REPLACEMENT RATE FOR MAINTAINING PRE-RETIREMENT STANDARD OF LIVING STEADY WORKERS AT THREE ALTERNATIVE EARNINGS LEVELS[1]

	Maximum		Average[2]		Minimum	
	Social Security	Maintain Standard of Living	Social Security	Maintain Standard of Living	Social Security	Maintain Standard of Living
1. Never-married Person.	28%	58%	42%	65%	53%	80%
2. Married Couple. Only one spouse has earnings.	42	63	63	70	80	85
3. Married Couple[3] Both spouses have the same earnings.	40	63	54	70	77	85
4. Widowed person. Only one spouse has earnings.	28	47	42	53	53	64
5. Widowed person. Both spouses had same earnings.	20	47	27	53	38	64

[1] The three alternative levels of earnings are defined as follows. The maximum level which is the wage base (i.e. the maximum taxable earnings) under the OASDI system, beginning with 1981 (after which time the wage base is automatically indexed). The average level is the level of the average male worker beginning with 1981. The minimum level is the level of a worker who always earns the federal minimum wage, beginning in 1981.

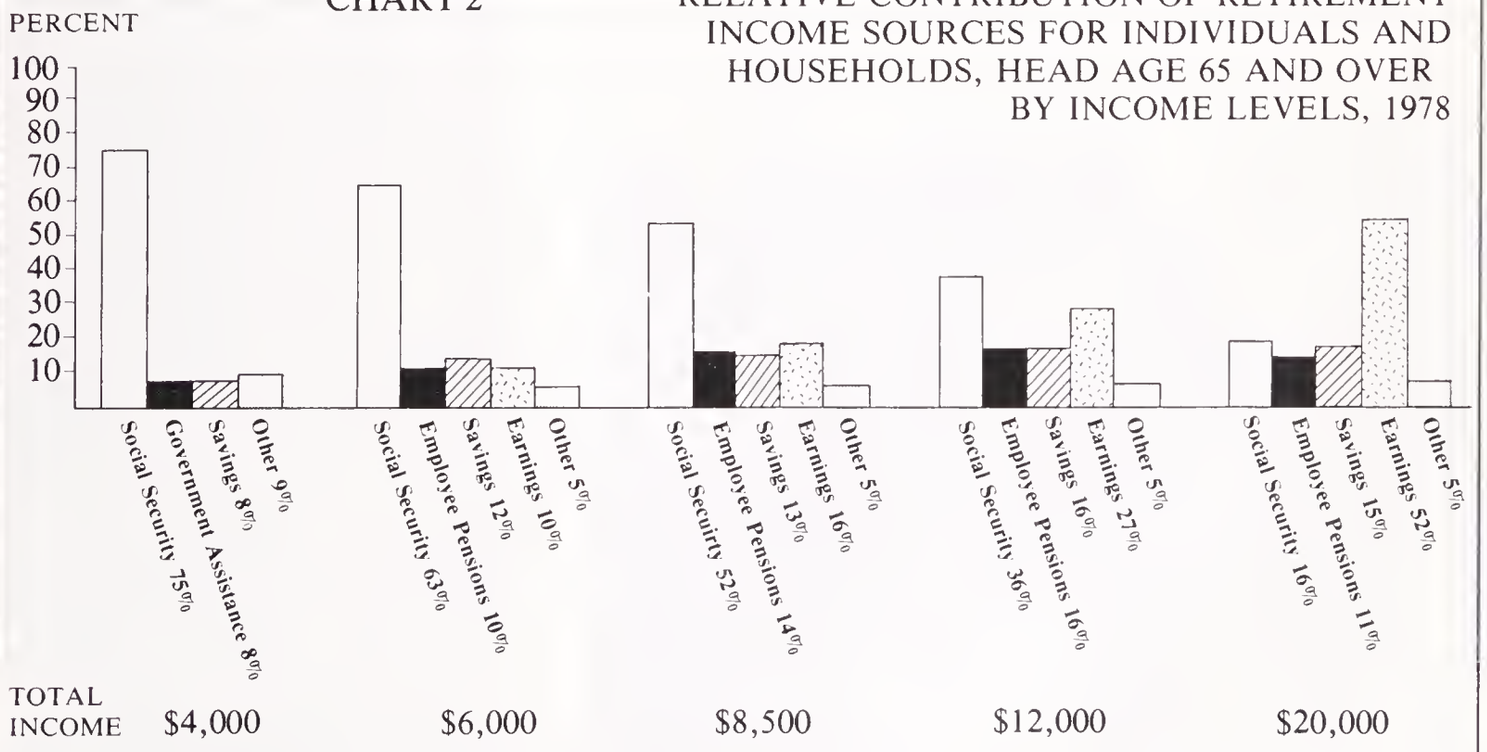
[2] Male worker's earnings level.

[3] Both spouses together earn this level.

Source: Office of the Actuary, Social Security Administration, U.S. Department of Health and Human Services.

CHART 2

RELATIVE CONTRIBUTION OF RETIREMENT INCOME SOURCES FOR INDIVIDUALS AND HOUSEHOLDS, HEAD AGE 65 AND OVER BY INCOME LEVELS, 1978



Source: President's Commission on Pension Policy, ICF, Inc., 1981. Analysis of U.S. Bureau of the Census, Current Population Survey, May 1979.

Benefit Levels

Benefit levels of retirement income programs vary widely because of differences in benefit objectives and pre and postretirement adjustments for inflation. Also, retirement benefit levels vary within programs because of differences in individual work and earnings histories.

The average monthly social security benefit at the end of 1977 was $243 for retired workers, $265 for disabled workers and $224 for nondisabled widows and widowers. Actual benefit levels vary somewhat by demographic characteristics. In 1977, the average retired worker benefit for women was $213 and the average benefit for men was $268. Average social security benefit levels also vary by race. The average retired worker benefit for black women was $172 and for black men, $222. Married people also have higher average retired worker benefits than singles individuals. These variances reflect differences in earnings and employment histories.

In periods when inflation exceeds 3 percent, social security postretirement benefits are fully adjusted to the Consumer Price Index, (CPI). These adjustments equalled 9.9 percent in 1979 and 14.3 percent in 1980.

Private pension benefits are either directly or indirectly designed to supplement social security. While not all private plans are formally coordinated with social security, most take social security benefits into account in establishing benefit levels.

Private pension plan benefit targets vary. Large firms typically have higher benefit objectives than smaller firms. Benefit targets generally are higher in high-wage firms and in firms that are organized by unions. Industries such as manufacturing have higher benefit targets than service industries.

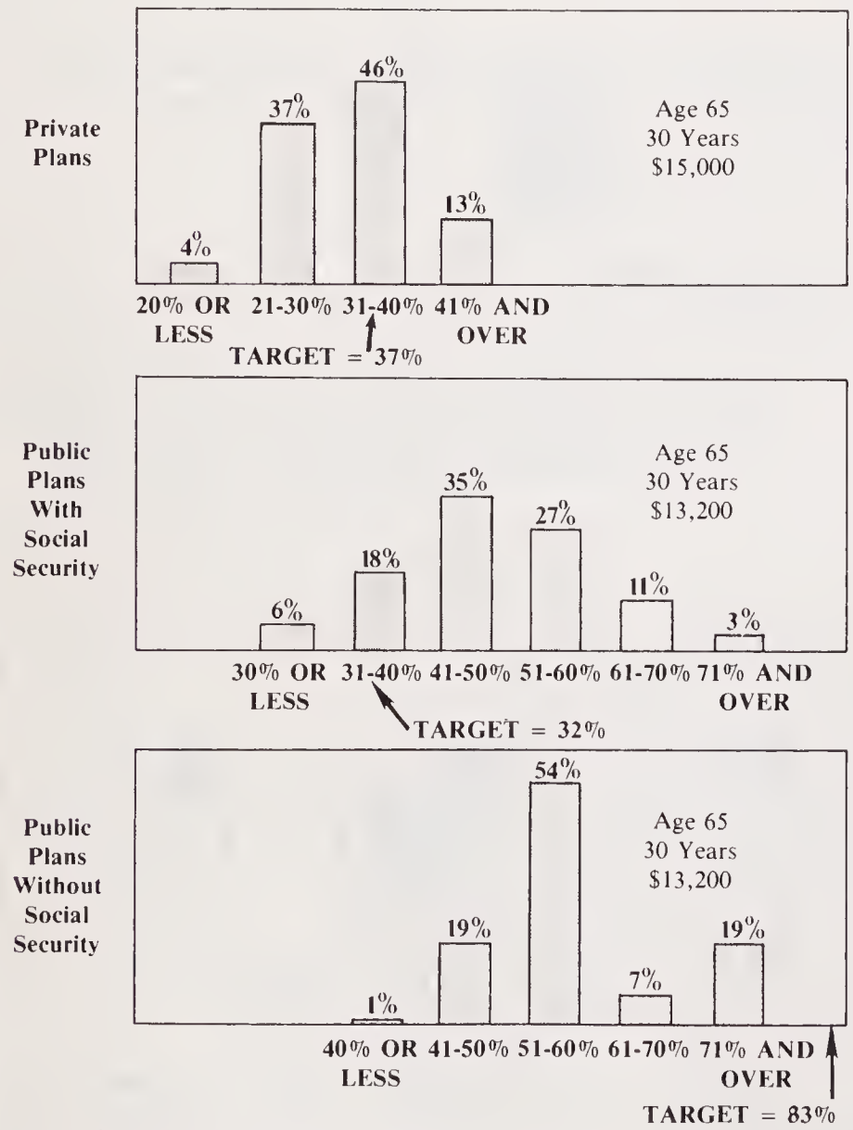
Some private pension plans adjust postretirement benefits to help offset the effects of inflation. Most private plans make ad hoc adjustments, often as a result of collective bargaining agreements. Private pensions rarely index fully for inflation, although a handful may provide indexing with a cap of 3 to 4 percent. The Banker's Trust Company survey issued in 1980 found that only 9 out of 291 companies studied had automatic annual adjustments based on the CPI.

On average, public sector plans pay higher benefits than private sector plans (tables 4 and 5). This is due primarily to the fact that private pension benefits are intended, to act as a supplement to social security. Some public sector plans, (for example, the Federal Civil Service Retirement System), are intended to provide an adequate income by themselves. State and local plans which are also participants in social security may not consider the level of social security benefits when establishing plan benefit levels.

Pension plan benefits in hazardous duty employment reflect the use of these retirement systems as personnel management tools. The military retirement system has been a model for other hazardous duty occupations. It uses pension benefits as a mechanism for attracting and retaining younger workers and retiring older

TABLE 4

DISTRIBUTION OF PLAN BENEFITS AS A PERCENTAGE OF FINAL SALARY



Source: Winklevoss Associates, Philadelphia, 1980.

workers. Benefits also are considered a necessary supplement to the reduction in income resulting from a second career.

Virtually all public sector plans provide some postretirement cost of living adjustments. The federal civilian and military retirement systems provide full postretirement indexing. Some state and local plans provide automatic indexing with a cap while others provide ad hoc benefit adjustments.

Retirement Ages

The age at which people are eligible to receive a pension benefit greatly influences the retirement decision for most workers. Age 65 has been viewed as the normal retirement age for many years and has become the age when society no longer expects people to work.

Retirement age trends over the last two decades have been toward earlier retirement. Under many pension systems, retirement benefits awarded before age 65 are actuarially reduced to offset the lengthened retirement period. However, many systems, particularly public employee systems, do not reduce benefits for early retirement. This, combined with indexation of benefits to the Consumer Price Index, removes the disincentives to retire early. The ages at which normal and early retirement benefits are awarded vary somewhat among the different pension systems.

Social security retirement ages have exerted a strong influence on the retirement ages of other pension programs. Benefits vary depending on the age of retirement. Age 65 was established by the original social security legislation in the 1930s as the normal retirement age. In 1956, age 62 was established as the early retirement age for women, and in 1961, this was extended to men. Widow(er)s benefits are available at age 60 and disabled widow(er)s benefits available at age 50. Retirement benefits before age 65 are actuarially reduced, although the benefit is fully adjusted for the cost of living, once it is received.

In 1978, 61 percent of all social security retired worker beneficiaries, 54 percent of men and 68 percent of women retired before age 65 (chart 3). Blacks are more likely than whites to retire before age 65.

While many employer pension plans were first designed with age 65 normal retirement, the trend has been to lower both early and normal retirement ages.

TABLE 5

EMPLOYEE PENSION BENEFITS MEAN BENEFIT BY SOURCE AND MARITAL STATUS, AGE 65 AND OVER, 1978

	Married Couples	Nonmarried Individuals
Average for all Systems	$4,225	$3,572
Private Pensions	3,689	2,919
Federal Civil Service Retirement	8,951	6,628
Military Retirement	9,939	7,700
State and Local Government Retirement	4,957	4,101

Source: President's Commission on Pension Policy, 1980.

Most corporate pension plans have a normal retirement benefit at age 65 and many pay reduced early retirement benefits as early as age 55. Many collectively bargained pension plans allow normal retirement at any age after 30 years of service.

State and local government pension plans frequently have a lower retirement age (usually accompanied by a service requirement) than social security. Age 60 or 62 normal retirement is common in state and local pension plans.

The average age of retirement under the Federal Civil Service Retirement System was 61 in 1978. This major federal retirement system allows normal, unreduced

Uniformed service workers are much more likely to have more liberal disability and earlier retirement provisions than private sector workers. For example, the average retirement age for police in Los Angeles in 1977 was 48 years, in Houston 59 years and in New York state 49 years.

benefits at age 55 with 30 years of service.

Because age is considered a bona fide occupational qualification in hazardous occupations, normal retirement benefits are paid at very early ages. In the military, retirement benefits are available after 20 years of service. The average age of nondisability retirement from the military was 42 in 1978. Police and firefighters often have retirement age provisions similar to the military.

Financing Retirement Income

As retirement systems have grown and matured, attention has focused on the financing of retirement income benefits. At two extremes, some systems are "advance funded" while others are financed on a "pay-as-you-go" basis. Both financing methods raise different problems, and the choice of financing has different economic effects.

Advance funding means that money is set aside today for future retirement benefits. Ideally, the money set aside today pays for the pension benefits accrued for tomorrow's retirees. Advance funded pension plans also increase capital accumulation. In 1979 the total assets and reserves held by private and public pension funds were about $650 billion. This represents almost 17 percent of all total financial assets in the country.

However, pension funds not only affect capital markets but are also vulnerable to them. Poor investment performance can result in substantial losses in funding schedules.

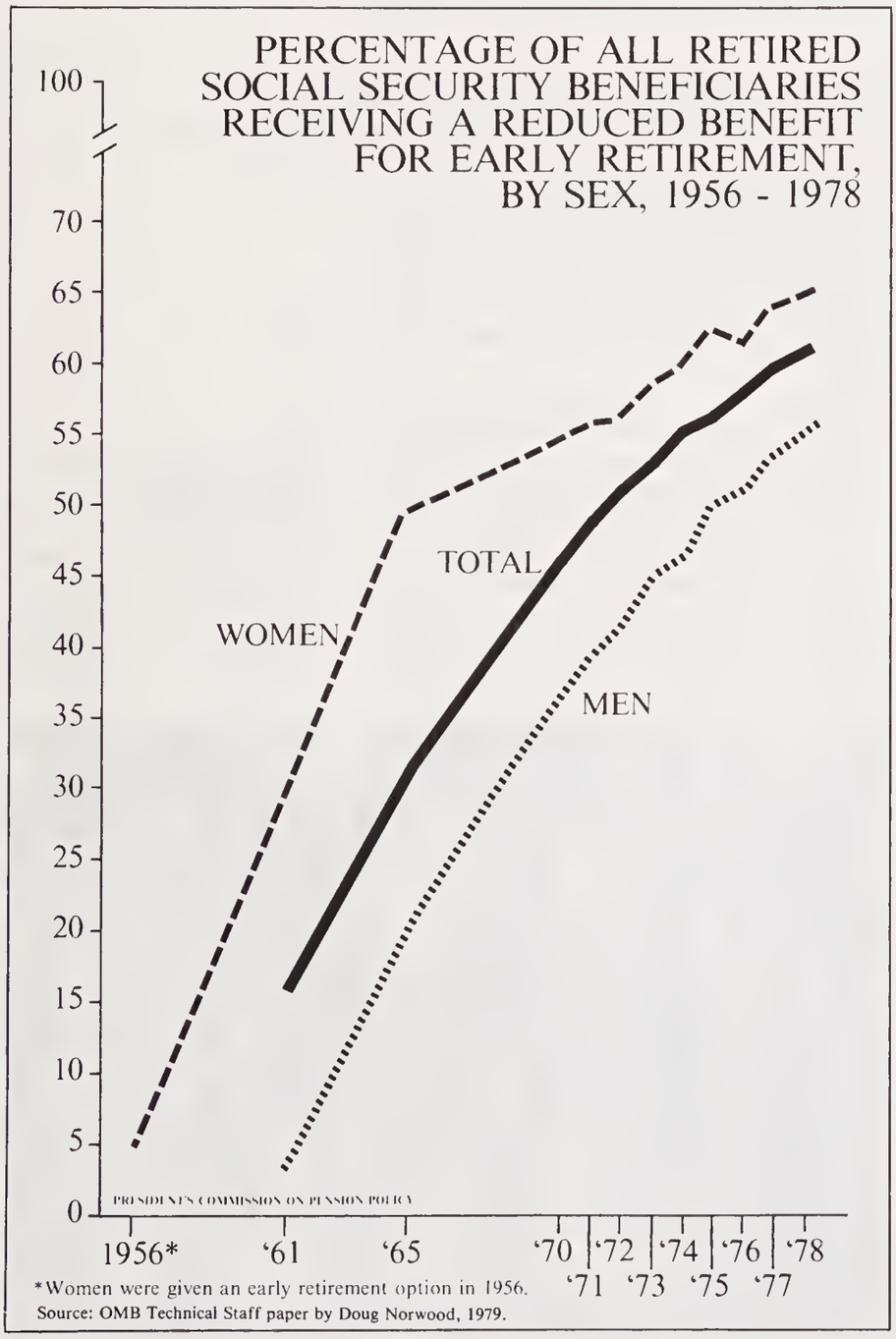
Financing on a pay-as-you-go basis means that benefits are paid directly from current revenues. Thus, current workers pay for today's elderly retirement benefits. The social security program is financed on a pay-as-you-go basis from equal employee and employer payroll taxes. While separate trust funds receive the earmarked tax revenues and dispense benefits, there is little fund accumulation. Historically, as the trust funds grew, benefits were increased and the fund levels depleted.

The financing of private pension plans is regulated by law. Federal law sets minimum funding levels in an attempt to insure that enough funds will be available to pay future benefits. The Internal Revenue Service, (IRS), controlling the tax advantages provided to pension plans, restricts the level of advance funding.

State and local pension plans are not regulated by federal funding standards, but they are restricted by IRS standards for tax-deferred status for employees. Most plans utilize some form of advance funding. In the absence of standards, financing levels vary significantly among these plans.

Federal employee pension plans are financed either on a pay-as-you-go basis or are partially funded. The Civil Service Retirement System is partially funded: 38 percent of payroll is set aside annually, while an actuarially funded system would require nearly 80 percent of payroll. Meanwhile, the second largest federal pension plan, the military retirement

CHART 3



*Women were given an early retirement option in 1956.
Source: OMB Technical Staff paper by Doug Norwood, 1979.

plan, is on a pay-as-you-go basis. If the military plan were actuarially funded, approximately 100 percent of payroll would be set aside annually. Current unfunded actuarial liabilities for these two retirement systems exceed $750 billion, approximately 80 percent of the national debt.

Welfare programs for the aged and disabled are completely financed with general revenues.

Dimensions of the Retirement Income Problem

The nation's retirement income programs developed in response to a variety of social, economic and political factors. Coordination of the many retirement income programs has been determined by a patchwork of laws, regulatory agencies, collective bargaining and individual effort. These developments have helped tailor the pension system to satisfy certain specific needs and have made a considerable contribution toward the improved economic well-being of the aged. Unfortunately, however, they have also resulted in many deficiencies.

Currently, there is concern that the retirement income system and federal retirement policies are contributing to a two-class sytem of retirement. Only about 50 percent of workers participate in a pension plan, and only 31 percent of workers are already vested and hence entitled to a future pension benefit.

As a result, millions of older Americans rely primarily on social security for their retirement income. In 1978, 12 percent of aged retired married couples and 20 percent of aged retired nonmarried people receiving social security had no other source of income. Mean total income for couples was about $5,556 and for single people, $2,700. Those who had two sources of income relied primarily on social security and either employee pensions or personal savings. If they had more than one other source of income, their average total income nearly doubled (table 6). Social security beneficiaries who also received employee pensions, had substantially higher incomes. In 1978, only about 28 percent of the retired population age 65 and over received income from an employee pension. For those who did have employee pensions, the average total income was about $10,000. In some cases, those entitled to pension benefits may receive very small benefits because of high job mobility, or other factors such as social security integration.

Meanwhile, overlaps exist. Currently, not all government workers and employees in nonprofit organizations participate in social security. Lack of universal social security coverage has enabled some retirees who worked a significant part of their careers outside the system to receive unintended social security benefits.

There are other instances where retirement income payments are overly generous. The overall lack of coordination between systems results in unintended multiple pension benefits. And finally, many of those who receive private pensions are able to retire early and benefit from the tax advantages given to pension plans. Nevertheless, the tax burden is shared by all workers.

Social Security

The social security system generally has been successful in providing at least a minimum floor of income protection for retired and disabled workers and their dependents. However, current economic conditions and long-run demographic trends may be threatening the ability of the system to meet these commitments in the future. In addition, there are problems in benefit delivery today because social security coverage is not universal for all workers and the benefit structure has not adapted to changes in family work patterns.

The most pressing problem facing social security is its ability to meet future commitments. The social security system relies on pay-as-you-go financing. Taxes collected from workers and their employers are used almost immediately to pay benefits for current retirees. This form of financing is extremely vulnerable to declining economic conditions and demographic imbalances.

In recent years, poor economic conditions have resulted in short-run financing problems. Presently, social security is experiencing difficulties because of high unemployment, inflation and low wage growth. As a consequence, tax revenues decline, while rising inflation results in increased benefit payments.

In the next five years, scheduled tax revenues are not expected to be sufficient to cover expected payments. Table 7 shows the short falls in the Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) trust funds over this period.

TABLE 6

RETIREMENT INCOME RECIPIENTS 65 AND OVER TOTAL MEAN INCOME BY NUMBER OF ALL SOURCES INCOME, AGE, MARITAL STATUS, AND SEX, 1978

MARRIED COUPLES

	ONE SOURCE		TWO SOURCES	
	PER-CENT	AVERAGE TOTAL INCOME	PER-CENT	AVERAGE TOTAL INCOME
Social Security	12%	$ 5,556	37%	$ 9,101
Railroad Retirement	10	8,139	43	10,154
Private Pensions	*	-	17	8,738
Federal Civil Service Retirement	5	11,420	24	15,259
Military Retirement	2	4,850	19	11,546
State and Local Government Retirement	1	3,400	19	8,984
SSI	11	3,864	57	4,253

NONMARRIED MALES

	ONE SOURCE		TWO SOURCES	
	PER-CENT	AVERAGE TOTAL INCOME	PER-CENT	AVERAGE TOTAL INCOME
Social Security	20%	$ 2,682	43%	$ 4,987
Railroad Retirement	31	3,808	28	6,739
Private Pensions	*	-	29%	6,002
Federal Civil Service Retirement	1	8,178	29	8,856
Military Retirement	*	-	53	4,539
State and Local Government Retirement	13	4,591	29	8,417
SSI	17	2,431	59	2,973

NONMARRIED FEMALES

	ONE SOURCE		TWO SOURCES	
	PER-CENT	AVERAGE TOTAL INCOME	PER-CENT	AVERAGE TOTAL INCOME
Social Security	20%	$ 2,690	48%	$ 4,598
Railroad Retirement	17	3,651	51	5,127
Private Pensions	1	3,473	22	4,743
Federal Civil Service Retirement	6	10,295	28	7,732
Military Retirement	*	-	34	6,258
State and Local Government Retirement	2	4,505	15	8,239
SSI	20	2,218	60	2,893

Source: President's Commission on Pension Policy, 1980.

RETIREMENT INCOME RECIPIENTS 65 AND OVER TOTAL MEAN INCOME BY NUMBER OF ALL SOURCES INCOME, AGE, MARITAL STATUS, AND SEX, 1978

PRESIDENT'S COMMISSION ON PENSION POLICY

MARRIED COUPLES

THREE SOURCES		FOUR SOURCES		FIVE OR MORE SOURCES	
PER-CENT	AVERAGE TOTAL INCOME	PER-CENT	AVERAGE TOTAL INCOME	PER-CENT	AVERAGE TOTAL INCOME
41%	$14,025	9%	$22,327	1%	$18,226
34	12,850	11	16,170	1	16,583
62	13,913	18	21,789	2	18,424
46	14,171	22	19,079	4	20,101
48	21,380	19	31,556	12	20,258
56	12,408	22	19,933	3	21,406
26	5,384	4	8,764	1	10,649

NONMARRIED MALES

THREE SOURCES		FOUR SOURCES		FIVE OR MORE SOURCES	
PER-CENT	AVERAGE TOTAL INCOME	PER-CENT	AVERAGE TOTAL INCOME	PER-CENT	AVERAGE TOTAL INCOME
31%	$ 9,104	5%	$13,256	*%	-
36	8,641	5	7,191	*	-
60	9,081	10	14,501	2	10,293
39	11,557	13	23,166	6	8,583
17	6,560	14	22,347	*	-
41	7,813	20	14,545	*	-
15	4,083	8	13,848		

NONMARRIED FEMALE

THREE SOURCES		FOUR SOURCES		FIVE OR MORE SOURCES	
PER-CENT	AVERAGE TOTAL INCOME	PER-CENT	AVERAGE TOTAL INCOME	PER-CENT	AVERAGE TOTAL INCOME
26%	$ 7,247	5%	$10,771	*%	-
22	6,665	9	9,659	1	24,947
60	7,911	15	11,598	1	8,898
48	7,737	16	12,641	2	14,459
45	8,318	21	10,879	*	-
60	9,550	21	12,791	2	16,512
17	3,337	3	4,547	*	-

Source: President's Commission on Pension Policy, 1980.

Social security faces serious long-run financing problems as well. Demographic imbalances resulting from the post-World War II baby boom are expected to cause financing problems in the next century. Currently, 100 covered workers pay social security taxes to support 31 beneficiaries, as shown in table 8. In other words, each beneficiary is supported by approximately 3 workers. This ratio becomes much less favorable with the retirement of the baby boom generation. By the year 2035, there will be 52 beneficiaries per 100 workers under intermediate demographic assumptions developed by the Social Security Administration, and 73 beneficiaries per 100 workers under pessimistic assumptions. Thus, under either pessimistic or intermediate assumptions, it is expected that by the year 2035 each future social security beneficiary will be supported by between 1.4 and 2 workers.

The age at which people generally retire is a factor in determining the ratio of workers to retirees and the amount of benefits that will be paid out. Chart 4 shows the impact of various retirement ages on the ratio of workers to retirees.

Most workers choose social security provisions that pay reduced early retirement benefits as early as age 62. In 1977, 77 percent of recently retired men and 79 percent of recently retired women took reduced early retirement benefits.

The numbers imply the availability of social security benefits have a strong influence on the retirement decision. Although many of the workers who collect social security benefits earler than age 65 do so because of health, unemployment or other economic conditions, many appear to do so because social security benefits make retirement financially feasible.

At the same time, people are living longer in retirement. As a result, benefits are paid over lengthening periods of time. When the social security program was first enacted in 1935, the average person who retired at age 65 spent 12.8 years in retirement. Today, people spend an average of 16 years in retirement, and further improvements in longevity can be expected.

The trends toward earlier retirement and increased longevity have serious implications for the solvency of the social security trust funds. If scheduled payroll tax rates and benefit payments remain unchanged, the social security trust funds will be insufficient under reasonable eco-

TABLE 7

TRUST FUND ASSETS AT THE BEGINNING OF THE YEAR AS A PERCENTAGE OF OUTGO DURING THE YEAR, 1980-1985

	Intermediate Assumptions			Pessimistic Assumptions		
Year	OASI	DI	OASDI	OASI	DI	OASDI
1980	23%	35%	24%	23%	35%	24%
1981	18	20	18	18	19	18
1982	12	13	12	9	10	9
1983	4	33	8	-3	23	-
1984	-3	60	4	-15	43	-8
1985	-11	91	1	-27	64	-17

Source: U.S. House of Representatives, Committee on Ways & Means, *Reallocation of Social Security Taxes Between OASI and DI Trust Funds, Report No. 96-1148, July 2, 1980.*

TABLE 8

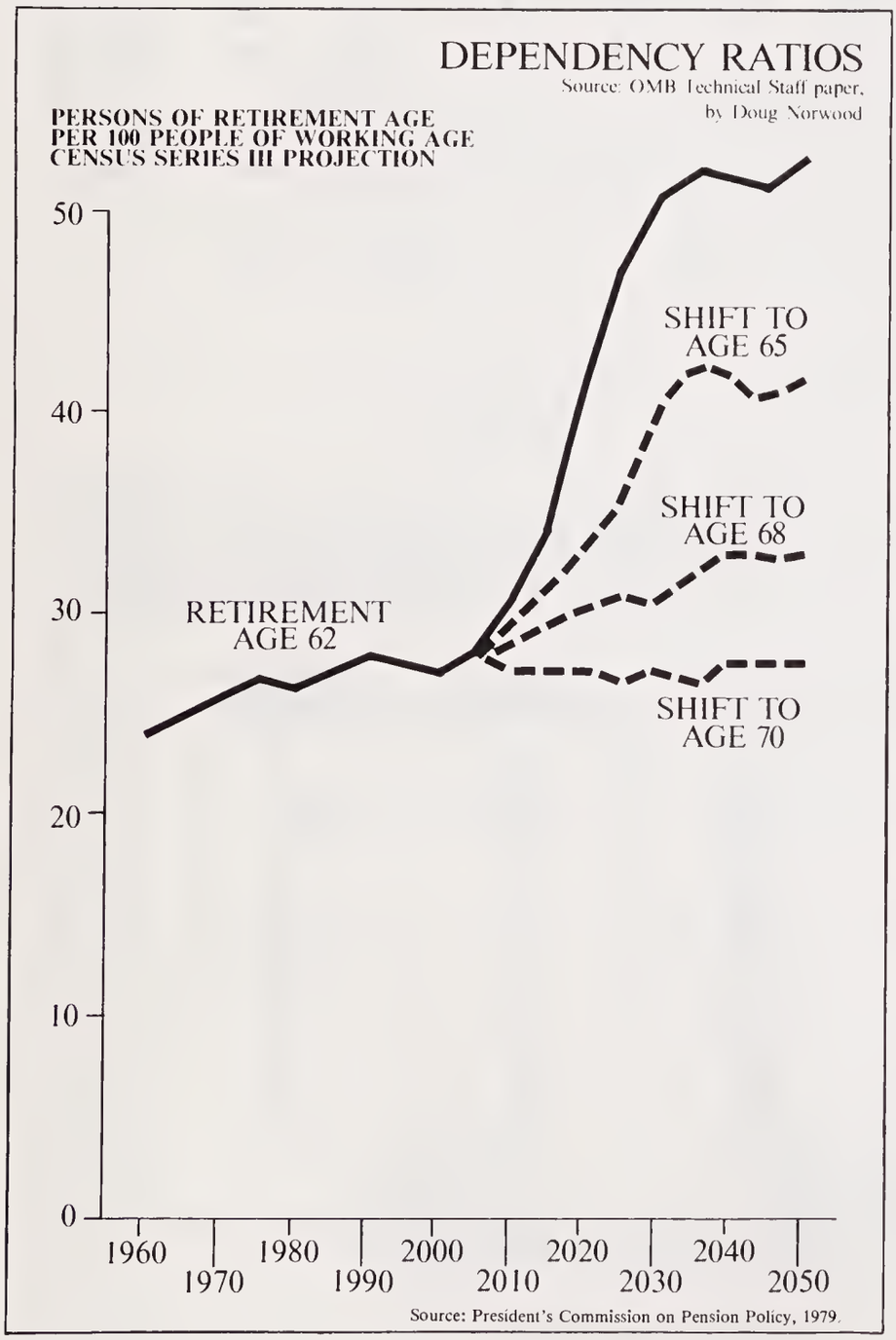
COMPARISON OF OASDI COVERED WORKERS WITH BENEFICIARIES PER 100 COVERED WORKERS

Calendar Year	Alternative II Intermediate	Alternative III Pessimistic
1945	2	2
1955	12	12
1965	25	25
1975	31	31
1980	31	31
1985	30	31
1990	31	33
1995	32	34
2000	33	36
2005	34	38
2015	40	47
2025	49	62
2035	52	73
2045	51	80
2055	51	87

Source: U.S. Board of Trustees of the Federal Old Age and Survivors Insurance and Disability Insurance Trust Funds. 1980 Annual Report. (Washington, D.C., 1980), p.85.

Social security depends on a commitment by today's workers to support the retired through pay-as-you-go payroll taxes. Today there are 3 active workers to support one retired person. By the year 2035, if current retirement policies remain in effect, there will be between 1 and 2 workers to support each retired person.

CHART 4



nomic and demographic assumptions as the baby boom generation enters retirement. (chart 5).

The average scheduled tax rate over the 1980-2054 period is 12.22 percent, and this compares unfavorably with an estimated average expenditure of 13.74 percent and 18.39 percent of payroll under pessimistic assumptions. If either benefit adjustments or financing solutions to this 1.52 to 6.17 percent long-term actuarial deficit are not found, the problems will be extremely difficult to resolve as the baby boom generation begins to retire. For example, over the period 2030-2054, the actuarial deficit will amount to -4.58 percent and -14.20 percent of covered payroll, respectively. Only under the optimistic demographic and economic assumptions will the trust funds accumulate to very high levels and then decline when the baby boom generation retires. If the more unfavorable, but more likely, alternatives develop, more revenue from higher payroll taxes or other revenue sources must be found, or benefits must be reduced.

Participation in the social security program is not universal. Although the social security program is supported by 90 percent of all workers, 10 percent remain outside the program. Those exempted are concentrated in government and nonprofit employment.

The lack of participation in the program by government workers results in certain inequities and inadequacies. For example, workers moving between jobs that are covered and jobs that are not covered by social security experience gaps in survivor and disability protection. Exempted workers also experience gaps in benefit protection.

Furthermore, participation in non-

covered employment exempts part of a worker's lifetime earnings from social security taxes. Most noncovered government workers eventually will receive some social security benefit payments based either on part career covered work or on the work of their spouse. These workers may receive a social security benefit based on short periods of covered work that is high in proportion to the payroll taxes paid. The resulting benefits, sometimes referred to as windfall benefits, are estimated to have cost the social security trust funds approximately $1.9 billion in 1979.

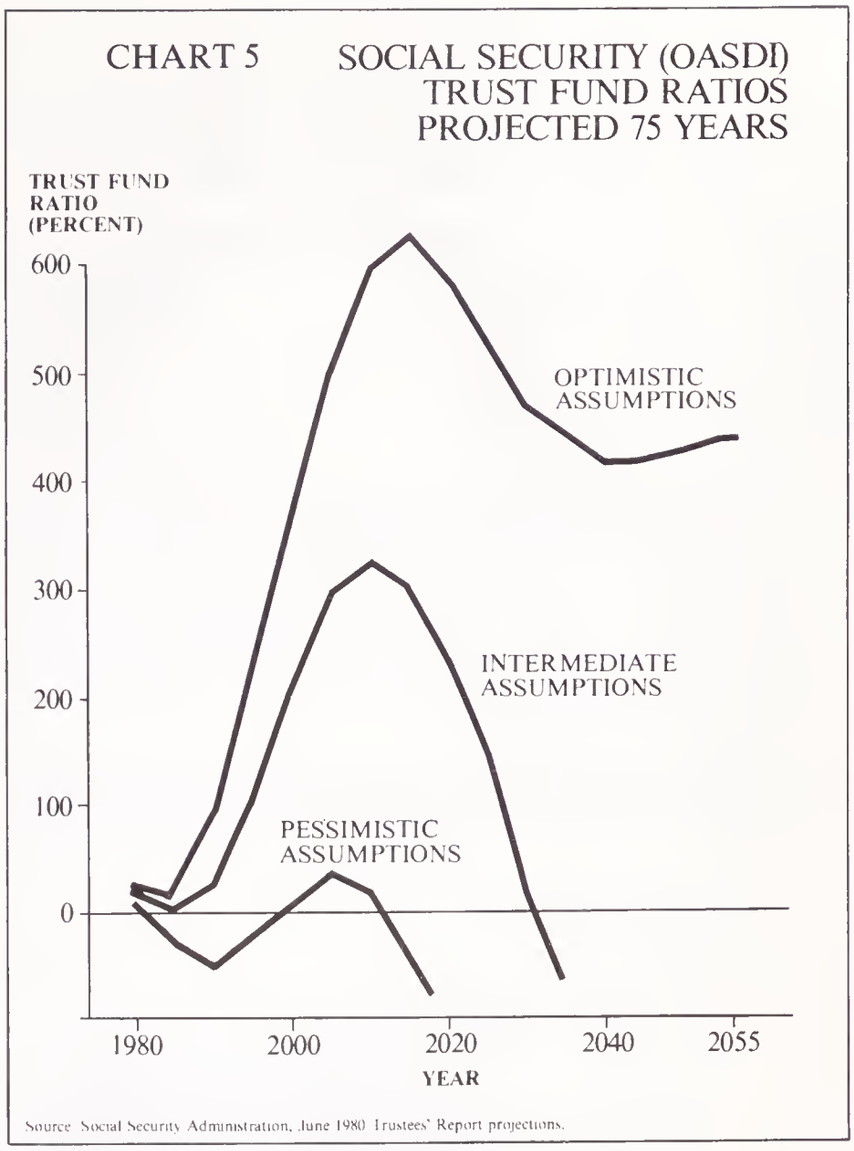
Finally, noncovered workers are exempt from paying into a redistributive program that provides proportionately more generous benefits to low wage than to high wage earners.

In the midst of changing social structures, social security family benefits have remained almost unchanged since 1939. Women's earnings patterns, as well as marriage and divorce patterns, have changed dramatically. More individuals are delaying marriage, or are remaining single. Divorce rates at all ages are increasing. A few adjustments in the program have been made to take divorces, noncovered employment and the existence of male homemakers into account. However, the adjustments which have been made to date are unable to adequately or equitably deal with those societal changes.

The social security benefit structure can result in unequal retirement and survivor benefits among couples with the same covered earnings. Among such couples, those in which one spouse has little or no earnings receive greater retirement and survivor benefits than two-earner couples. The difference in the retirement and survivor benefits among equal earning couples is shown in tables 9 and 10.

The survivor benefits provided two-earner couples are not only lower than the survivor benefits provided one-earner couples, but the benefits can be found inappropriate on two other grounds as well.

One way of assessing the adequacy of survivor benefits is to compare the survivor benefit to the couple's previous total benefit. It is estimated that a surviving spouse needs two-thirds to three-fourths of the couple's previous income to maintain a similar standard of living. Under present law, equal-earning spouses receive only one-half of the couple's previous benefit level.



Another problem with survivor protection under present law occurs when a worker dies many years before the spouse reaches retirement age. The survivor benefit provided under current law in this instance would be based on the employee's earnings record, updated for changes in the cost of living. Historically,

Women account for 72 percent of the elderly poor.

TABLE 9
SOCIAL SECURITY MONTHLY RETIREMENT BENEFITS UNDER PRESENT LAW[1]

Couple's Combined AIME*	Couple's Combined Benefits	
	One-Earner Couple	Equal-Earning Spouses
$459[2]	$520	$ 491
$847[3]	778	663
$1,258[4]	990	845
$2,516[5]	[6]	1,320

*AIME is the Average Indexed Monthly Earnings

[1] Calculations assume both spouses retire in 1985 at age 65. Monthly benefits are for January 1982 and a 10 percent of cost-of-living adjustment is assumed for June 1981.

[2] AIME for one full-career worker earning the minimum wage, or for two workers each working half-time at the minimum wage.

[3] AIME for one full-career worker earning the median wage, or for two full-career workers each earning one-half the median wage.

[4] AIME of a full-career worker earning the maximum wage, or for two workers each earning one-half the maximum wage.

[5] AIME of two workers each earning the maximum wage.

[6] While a one-earner couple may have gross earnings at this income level, the maximum covered earnings for one worker is $1,258. Thus, a one-earner couple with these gross earnings would pay FICA taxes and receive social security benefits based only on the maximum taxable wage base. This benefit equals $990 based on a $1,258 AIME.

Source: President's Commission on Pension Policy, 1980.

TABLE 10
SOCIAL SECURITY MONTHLY SURVIVOR BENEFITS UNDER PRESENT LAW[1]

Couple's Combined AIME*	Benefits to the Surviving Spouse	
	One-Earner Couple	Equal-Earning Spouses
$ 459[2]	$347	$245
$ 847[3]	519	331
$1,258[4]	660	422
$2,516[5]	[6]	660

*AIME is the Average Indexed Monthly Earnings

[1] Calculations assumes survivor retires in 1982 at age 65. Monthly benefits are for January 1982 and a 10 percent of cost-of-living adjustment is assumed for June 1981.

[2] AIME for one full-career worker earning the minimum wage, or for two workers each working half-time at the minimum wage.

[3] AIME for one full-career worker earning the median wage, or for two full-career workers each earning one-half the median wage.

[4] AIME of a full-career worker earning the median wage, or for two full-career workers each each earning one-half the maximum wage.

[5] AIME of two workers each earning the maximum wage.

[6] While a one-earner couple may have gross earnings at this income level, the maximum covered earnings for one worker is $1,258. Thus, a one-earner couple with these gross earnings would pay FICA taxes and receive social security benefits based only on the maximum taxable wage income. This survivor benefit equals $660 based on a $1,258 AIME.

Source: President's Commission on Pension Policy, 1980.

wages have increased faster than prices. This can result in a small benefit for a survivor who retires many years after the death of the worker. Thus, the survivor's own worker benefit, based solely on her or his wage record, may be greater than the survivor benefit. While the survivor is provided the higher of the two benefits, the surviving spouse's own worker benefit is often low because she or he may have had little or no earnings during years of marriage.

A serious inequity within the family benefits structure concerns benefits to divorced spouses. Most divorced women work and therefore qualify for their own worker benefit. Often, their worker benefits are low because of the years absent from the labor market while married and because they will probably not receive retirement compensation as the spouse of a worker. Typically, only when the former spouse dies will a divorced woman qualify for survivors benefits (assuming the marriage lasted for at least 10 years) which are larger than her own benefits.

Employee Pension Programs

In spite of the importance of employee pension programs to the economic security of the retired, only a relatively small proportion of retired actually receive income from employee pensions. In 1978, about one-fourth of the retired population age 65 and over received employee pension income. This reflects the fact that many workers either work for employers who do not have pension plans or leave employment before gaining entitlement to pension benefits.

The most serious problem facing our retirement system today is the lack of pension coverage among private sector workers. Only about 45 percent of the private work force participates in an employee pension plan, although it is likely that a number of those not covered may eventually be covered. Data indicate that pension plan coverage is highest in large, unionized manufacturing industries and lowest among small nonunion service and retail trade industries (table 11).

In 1979, over 49 million workers did not participate in a pension plan in their current job. It is generally recognized that younger, part-time, low-wage earners and workers employed by small businesses frequently are not protected by pension plans. However, the data summarized in chart 6 shows that many of the non-

covered are "mainstream," full-time workers, earning moderate incomes that place them in or near the middle of the earned income distribution.

Fifty-nine percent of private sector wage and salary workers are in the trade and services industries.

Those participating in a pension plan generally have higher incomes than nonparticipants (table 12). Nonparticipants tend to be concentrated in low-wage jobs and in marginal industries. A large number of noncovered private sector workers, approximately 79 percent, work for businesses that employ fewer than 100 workers. These employers are in lower corporate tax brackets and therefore do not receive the same tax incentive for pension fund contributions as large employers.

More than half, 54 percent, of all noncovered workers are men, and 71 percent of the noncovered work full-time. Most part-time workers are not covered by pension plans, however part-time employment comprises a small part of the total job market. While pension coverage among young workers is very low, approximately 68 percent of the noncovered population is over the age of 25.

Nearly all, approximately 90 percent, of the noncovered are not union members.

A large portion of the noncovered workers earn incomes that place them in or near the middle of the earned income distribution. Thirty percent of the private sector noncovered earned below $4,999 in 1978. Approximately 36 percent of the noncovered earned between $5,000 and $10,000 and 19 percent earned between $10,000 and $15,000 in 1978. Median earned income in 1978 was approximately $10,500 in the private sector work force.

Workers under age 25 and over age 55 and part-time workers are less likely to be covered by a pension plan. ERISA standards do not require coverage of workers under age 25, workers within 5 years of normal retirement age, or workers who are employed less than 1,000 hours per year. When these workers are removed from the analysis, coverage rates rise.

Women typically have lower rates of coverage than men. Many women are employed in low-wage industries and in occupations with little or no employee pen-

TABLE 11

THE PERCENTAGE OF ALL WORKERS COVERED BY A PENSION PLAN, BY AGE GROUP AND INDUSTRY, 1979

	Age Group	
Industry	**25-64**	**16 and Over**
Mining	74%	70%
Construction	46%	37%
Manufacturing	73%	66%
Transportation	70%	66%
Trade	41%	29%
Finance	58%	50%
Services	36%	30%
All private, Nonfarm	55%	46%
Agriculture	19%	13%
All Private	54%	45%
State and Local Government	83%	77%
Federal Government	91%	87%
All Workers	85%	79%
Self Employed Workers	15%	13%
All Workers	56%	48%

Source: President's Commission on Pension Policy/ICF, Inc. 1980. Analysis of U.S. Bureau of the Census, Current Population Survey, May, 1979. These numbers include imputed values.

Pension coverage is related to income. Eighty percent of all individuals earning $20,000-$50,000 a year are covered by a private retirement income program. This income group is also four times more likely to establish an IRA than lower income groups.

Even when covered by a pension plan, women are less likely to become entitled to pension benefits than men due to vesting requirements and the lack of portability.

CHART 6

WHICH WORKERS ARE NOT COVERED BY PENSION PLANS?

In 1979, 49.4 million workers were not covered by a pension plan:

- 54% of these were men, 46% were women
- 71% of them worked full time, 29% part-time
- 68% were over age 25 and 51% of noncovered were over 25 and have one or more years of service with their employer
- 8.2 million are employed in the public sector
- 38.1 million are wage and salary workers in the private sector

Of private sector noncovered wage and salary workers:

- 77.9% worked in three main industries:
  - 31.9% from trade
  - 27.7% from service
  - 18.3% from manufacturing
- 29.9% earned less than $5,000 in 1978
- 36.4% earned between $5,000 and $10,000 in 1978
- 19.2% earned between $10,000 and $15,000 in 1978
- 14.6% earned over $15,000 in 1978
- 79.0% were in firms with fewer than 100 employees
- 7.5% were in firms with 500 or more employees
- Approximately 90% were not members of union

Source: ICF, Inc., Analysis of May, 1979 Current Population Survey Data; President's Commission on Pension Policy staff estimates. These numbers include imputed values

sion coverage. Even when they have jobs covered by a plan, their interrupted work patterns make it difficult for them to gain entitlement to pension benefits. Few receive service credits for the years they work before age 25 or for years in which they work less than 1,000 hours.

Minorities also have difficulties in accumulating pension benefits because of mobility, high rates of unemployment and employment in jobs not covered by a plan. Black workers are less likely to be employed in large, unionized manufacturing industries and more likely to be employed in service and retail industries, where employee pension coverage is low.

Commission forecasting models indicate that the proportion of the labor force covered and vested in employee pension plans is not expected to increase significantly under current policies. Some growth in plan coverage and vesting is predicted due to increased labor force participation by women and further maturity in the private pension system. However, millions of workers are predicted to remain outside the present pension system due to the lack of pension plans at their workplace.

The near stagnation of pension plan growth is due to several factors. Increased pension plan availability is anticipated in those industries, such as manufacturing and transportation, where coverage is already high. Most economic forecasts, however, indicate that these industries will have a declining share of the labor force in the future. Instead, low pension coverage industries, such as trade and services, will grow.

The lack of pension plan offerings in small businesses is a major reason why pension plan growth is expected to continue to stagnate. In the private sector, approximately 93 percent of the noncovered work in firms with fewer than 500 employees and 79 percent work in firms with fewer than 100 employees. Experts cite several factors for the lack of pension plans in these businesses.

The most important reason is cost. Small businesses frequently have small profit margins and operate in highly competitive economic environments. It is extremely difficult, therefore, for small business to unilaterally incur costs that their competitors do not also incur.

Furthermore, establishing a pension plan under current policies may be more expensive for small businesses than for larger firms. The graduated corporate tax

rates, (established under Public Law 96-600) range from 17 to 40 percent for firms earning less than $100,000 in taxable income. Those earning more than $100,000 are subject to a tax rate of 46 percent. Therefore, for large businesses in the 46 percent marginal tax bracket, every one dollar in pension fund contribution results in a 46 cent reduction in corporate tax payments. For small businesses, the tax reduction would only be between 17 to 40 cents, depending on net earnings.

Small businesses also face problems related to the operation of pension plans. One of the most often cited problems is the administrative expense of actuarial, accounting, insurance and investment services necessary to operate even a small pension plan. And, due to the size of their assets, these plans cannot take advantage of many investments available to larger pension plans.

In addition to all of the above cited cost considerations, small businesses are not expected to voluntarily establish pension plans for one further reason: most small businesses will not exist long enough for a pension plan to mature.

Each year, hundreds of thousands of small firms are established. Almost an equal number go out of business. In this environment of high business formation and failure, neither the employees nor the owners of these businesses can be expected to be highly motivated, even with tax incentives, to incur the costs of an employer-based plan that is dependent on the continued existence of the firm.

Employee pension plans have age and service requirements that plan participants must meet before they are considered vested. Less than one-third of all workers, including government and private sector workers, are currently entitled

TABLE 12

THE PERCENTAGE OF ALL WORKERS COVERED BY A PENSION PLAN BY SEX, AGE GROUP, AND ANNUAL EARNINGS, 1979

Sex and Age Group	Annual Earnings: Less than $5,000	$5,000-$10,000	$10,001-$15,000	$15,001-$25,000	$25,000 or More	Total
Male						
Less than 20	4%	14%	17%	36%	47%	9%
20-24	12%	25%	40%	57%	44%	34%
25-34	16%	39%	56%	70%	68%	58%
35-44	21%	37%	59%	73%	74%	63%
45-54	26%	41%	61%	72%	74%	64%
55 or more	17%	37%	62%	70%	78%	54%
Subtotal	10%	33%	55%	70%	73%	53%
Female						
Less than 20	2%	18%	31%	19%	NA	7%
20-24	9%	31%	49%	57%	49%	29%
25-34	13%	44%	66%	69%	76%	46%
35-44	19%	45%	71%	73%	84%	48%
45-54	21%	50%	71%	84%	93%	52%
55 or more	19%	48%	69%	77%	71%	44%
Subtotal	13%	41%	66%	69%	79%	46%
TOTAL	13%	38%	59%	71%	73%	48%

Source: President's Commission on Pension Policy/ICF, Inc., 1980. Analysis of U.S. Bureau of the Census, Current Population Survey, May 1979. These numbers include imputed values.

The rising cost of living and sharp increases in cost for such items as medicine and drugs have a particularly severe effect on the retirement income of the elderly.

to pension benefits.

Mobile workers and workers who experience chronic unemployment are not likely to become entitled to a pension benefit. Participation in a pension plan, by itself, does not insure receipt of pension benefits because pension plans require a minimum number of years of service, usually 10, before an employee has an irrevocable right to a pension benefit. The tax treatment of pension plans tends to be of greater benefit to workers with long or medium years of service with one employer. Participants in a pension plan who never become entitled to a benefit subsidize those who become entitled. Generally, workers forego some wage income in order to participate in a pension plan. However, only those who eventually receive pension income will benefit from these deferred wages. Thus, the nonprotected group of workers subsidizes the retirement benefits of others through both wage reductions and the tax structure.

The degree of vesting is also quite different for various types of workers. Table 13 shows the level of vesting for selected groups of workers. Forty-four percent of all workers and 38 percent of private sector wage and salary workers ages 25 to 64 who work full-time for the entire year are vested in a pension plan.

TABLE 13

PERCENT OF WORKERS VESTED IN A PENSION PLAN, 1979

	Workers Age 16 and Over	Workers Ages 25 to 64	Full Time, Full Years Workers Ages 25 to 64
	% of all Workers	% of all Workers	all Workers
Private, Non-farm Wage and Salary Workers	27%	34%	38%
Agricultural Workers	10	15	23
Public Sector Wage and Salary Workers	60	65	70
Self-Employed Workers	13	15	22
All Workers	31	38	44

Source: President's Commission on Pension Policy/ICF, Inc., 1980. Analysis of U.S. Bureau of the Census, Current Population Survey, May, 1979. These numbers include imputed values.

The likelihood that a worker will become vested depends generally on the same factors that influence whether the employee is covered by a pension plan. As shown in table 14, vesting is highest in federal, state and local government employment. In the private sector, the transportation, mining and manufacturing industries have the highest vesting rates. The self-employed and those in agriculture and the trade industry have the lowest proportion of workers with vested benefits. The incidence of vesting also varies by age and marital status. Table 15 indicates workers ages 45 to 64 are more likely to be vested, and the vesting rate for married couples is over twice that of nonmarrried individuals.

Retirement income problems are not confined to low-wage earners. Many moderate-wage earners are highly mobile and do not remain working long enough with one employer to earn the right to pension benefits. However, because they are covered by a plan, they are not permitted tax-favored treatment for individual retirement savings.

Qualifying for benefits is not the only problem workers face. Most employee pensions do not provide full inflation protection. As shown in table 16, an inflation

rate of 5 percent cuts a benefit by 40 percent in 10 years. At 10 percent, inflation reduces the value of a benefit by 60 percent in 10 years. While most pension plans have provided retirees with some postretirement increases in the last several years, the average adjustment has been much lower than inflation.

Unlike their private sector and state and local sector counterparts, federal employees receive pension benefits that are fully indexed to the CPI. In addition, the benefits are adjusted twice annually. This indexing results in substantially higher increases for federal retirees. Because their adjustments are tied to the CPI, federal retirees often have greater annual increases in their pension benefits than their counterparts in the active federal workforce. Also, these factors give federal retirees more favorable treatment than other retirees.

The biggest issue facing public employee pension plans is the cost associated with early retirement ages. Many public plans have retirement ages far below those of social security or private employee plans, and the cost of these early retirement provisions is of serious concern.

The average age of retirement under programs covering federal workers is well below that of social security. An unreduced annuity at age 55 is available after 30 years service. In recent testimony before the President's Commission on Pension Policy, the General Accounting Office noted "the tremendous costs associated with federal retirement programs and the large unfunded liabilities that have accumulated, and the continuation of generous early retirement benefits may just no longer be possible."

Those in hazardous duty occupations such as law enforcement, firefighting and the military are permitted to retire with full benefits at very early ages, ranging from the early 40s to the early 60s, usually after 20 years of service.

These benefits serve as a management tool for attracting, retaining and separating employees. They are based on the assumption that physical capacity and job performance decline with age.

However, there is no concensus concerning the critical age of decline, and there is considerable controversy over which occupations demand physical capacities possessed only by those who are young and vigorous.

Very early retirement benefits may overcompensate retirees and employees in

TABLE 14

THE PERCENTAGE OF ALL WORKERS VESTED IN A PENSION PLAN, BY AGE GROUP AND INDUSTRY, 1979

Industry	Age Group 25-64	Age Group 16 and Over
Private, Nonfarm, Wage and Salary Workers		
Mining	48%	38%
Construction	33%	25%
Manufacturing	43%	36%
Transportation	51%	45%
Trade	25%	17%
Finance	35%	28%
Services	23%	18%
All Private, Nonfarm	34%	27%
Agriculture	15%	10%
All Private	34%	26%
State and Local Government	62%	56%
Federal Government	77%	72%
All Public	65%	60%
Self Employed Workers	15%	13%
All Workers	38%	31%

Source: President's Commission on Pension Policy/ICF, Inc., 1980. Analysis of U.S. Bureau of the Census, Current Population Survey, May, 1979. These numbers include imputed values.

TABLE 15

THE PERCENTAGE OF ALL WORKERS VESTED BY AGE AND MARITAL STATUS, 1979

Age of Primary Wage Earner	Married Couples	Non-Married Individuals
Less than 25	16%	5%
25-44	42%	28%
45-64	55%	45%
65 or more	22%	18%
Total	45%	20%

Source: President's Commission on Pension Policy/ICF, Inc., 1980. Analysis of U.S. Bureau of the Census, Current Population Survey, May, 1979. These numbers include imputed values.

transition to new careers. In some cases, these retirees cannot secure well-paying jobs at these older ages, and thus the retirement benefit acts as compensation against their income loss in a second career. While these occupations pay generous benefits, few of the military work force stay in the service long enough to accrue benefits. In the military, retirement benefits are received by only 29 percent of officers, and 11 percent of the enlisted who originally entered military service.

Employee pension plans can result in seriously inadequate retirement benefits for spouses of deceased or divorced workers. Employee pensions are often terminated upon the death of the worker, leaving the surviving spouse unprotected. Moreover, retiring workers may choose a form of benefit that provides no protection for survivors. And, under current law, the right to a pension can evaporate if the worker dies before retirement.

These problems are most severe for the homemaker who subsequently divorces. While homemakers themselves may accumulate little retirement income, they share in the retirement income earned by the spouses. This is not the case for divorced homemakers. In many instances, they have accumulated little or no retirement income protection during their years of marriage, and sufficient pension credits cannot be built up before retirement.

Unlike social security, employee pension plans face problems of how accumulated pension funds should be invested. This pool of funds is expected to grow substantially in the future.

The growth of employee pension funds has been accompanied by increasing concern over the ownership of investment of the assets.

Questions concerning the ownership and investment of pension fund assets have become increasingly important as the assets invested by such plans have grown dramatically over the past 30 years. It is likely that continued fund expansion will lead to further debate over the management of these funds and continued interest from the perspective of public policy and economic productivity. If policies are initiated to encourage the growth of funded programs, these concerns could accelerate rapidly.

Traditionally, fund trustees control assets. Investment decisions are governed by prudence standards which emphasize risk-return criteria. Advocates of a variety of alternative practices argue that employees have the right to more direct participation because fund assets are deferred wages. They also argue for the expansion of investment criteria to include other than risk-return considerations. These include exclusionary criteria or targeting for regional or union purposes.

Employers and some trustees oppose such actions on a number of grounds. In particular, concern has been expressed over the additional financial risk employers would bear if nontraditional investment criteria are accepted. There is a particular concern in defined benefit plans. With regard to defined contribution plans, a diminished trustee role is viewed as a possible jeopardy to retiree benefit security.

Broader issues arise in the area of alternative investment criteria. The legal framework surrounding the determination of decision-making in this area is an issue for future debate. Specifically, it must be determined to what extent under present law the dictates of prudence allow fiduciaries to use nontraditional investment criteria. In addition, it must be determined who should have the right to determine investment decisions, or to vote the shares of corporations in which funds invest.

The growth in pension fund assets also raises a number of questions concerning the effects of pension policy on the level and allocation of capital in the economy. Little conclusive research exists with regard to these questions. Preliminary findings from the Commission's comprehen-

TABLE 16

REAL VALUE OF RETIREMENT INCOME BASED ON INITIAL REPLACEMENT RATE OF 100 PERCENT

YEARS IN RETIREMENT	NO INFLATION	3% ANNUAL INFLATION	5% ANNUAL INFLATION	10% ANNUAL INFLATION
0	100	100	100	100
5	100	86	78	62
10	100	74	61	39
15	100	64	48	24
20	100	55	38	15
25	100	48	30	9

Source: Robert Clark, *The Role of Private Pensions in Maintaining Living Standards in Retirement*, Washington, D.C. National Planning Association, Oct. 1977, p.42.

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sive research project on pensions and savings indicate that employee pension plans have a significant positive impact on the level of personal savings.

Though economic factors are clearly important, government tax and regulatory policies have also influenced the level and composition of pension capital. Federal tax policy has encouraged the establishment of pension plans by granting favorable tax treatment both to pension contributions and to the earnings of assets in pension funds.

In addition to taxation, government regulation has played a significant role in establishing "acceptable" standards of behavior for those who control pension assets.

For example, concerns about lagging U.S. productivity and innovation have focused attention on pension fund investments in small, innovative firms, which play an important role in the development of new technologies. Commission research shows that many public and private pension funds do not invest heavily in such firms.

In recent years, attention has been focused on whether private and public pension funds should invest to achieve various social goals. Among the goals mentioned are: insuring human rights, improving employee relations, providing more housing services for plan members, and protecting the environment. Some have argued that unless the inclusion of "social goals" compels trustees to account for previously ignored economic returns or risks, the resulting change in asset mix will be inefficient. That is, for a given level of risk, the fund would earn a lower expected return or, conversely, for a given level of expected return, the fund would bear greater risk. Others have argued that the inclusion of nontraditional criteria in the portfolio-selection process does not have to lower the economic returns or increased risks to the pension funds.

The existence of sizable stock holdings by pension funds combined with the concentration of such holdings in particular firms has led to some concern about the relationship between pension fund capital and economic concentration. This concern has typically focused on two broad issues: concentration of voting power in corporations and the propensity of pension funds to invest in "large" firms.

Nevertheless, some private pension funds, notably those managed by banks and insurance companies, hold disproportionately more stock in the 100 largest firms. Whether this concentration has significant effect on capital markets is questionable.

Savings for retirement show a high correlation with income during the working career. High-wage earners and professionals are much more likely to supplement their retirement income with retirement savings.

Savings

In spite of the emphasis on savings as a source of retirement income, it does not appear to be a significant source of income for most retirees. Data on the total assets of the elderly indicate that while almost 90 percent reported owning assets, very few older people owned assets of any great value other than their homes. The most recent available data indicate that only half of those age 65 and over received property income, that is, income from assets including rent, dividends and interest. Furthermore, about half of all retirees with property income received less than $1,000 from this source.

Individual retirement saving is not likely to increase in the future. The Commission's own household survey of people ages 18 to 64 found that only a third of the respondents expected savings and investments, other than Individual Retirement Accounts (IRAs), to be a source of income in retirement.

Aside from the importance of savings to the income of the retired, savings also play an important role in the economy because it is a source of capital. Capital formation has two important roles in the economy. As investment capital in the short run, it is a large and volatile component of aggregate demand. In the long run, capital formation will determine the potential productive capacity of our na-

tion and the level of our standard of living.

Tax policy has encouraged individual retirement savings only to a limited extent. The tax treatment of pension contributions and benefits is not uniform. Under current law, taxes are deferred on the employer contributions in almost every kind of tax qualified retirement plan, including social security, employer sponsored plans, IRAs and Keogh plans. Generally, taxes are also deferred in general on the earnings on the contributions until withdrawn. However, the tax treatment of employee contributions and of the benefits received is not the same for the various plans. In some plans taxes on employee contributions are deferred while in other plans they are not. The contribution limits also differ for the various plans. In some plans benefits are fully taxed and in others they are partially taxed or not taxed at all.

Because all pension are not taxed uniformly under current law, individuals have different economic incentives to contribute to a pension plan, depending upon the type of plan. As can be seen in table 17, the monthly pension that would result from a $100 annual contribution differs considerably depending on the tax treatment of the contribution and the earnings on the contribution. Because the tax treatment operates through exclusion of gross income, the incentive increases as an individuals's income increases.

The lowest rate of return is from an annual contribution to a regular savings account. Employee contributions to a qualified pension plan provide a somewhat higher return on the investment. The highest monthly pension for the same $100 contribution is available to those employees who invest in an IRA or Keogh up to the limits imposed on those plans. This return on the contribution is equivalent to the return on the employer contribution to a qualified pension plan. Unfortunately however, individuals may not contribute to an IRA if they are participating in an employee pension program. This qualification does not recognize the level of pension benefits provided by a plan or the fact that many workers will not become entitled to benefits under their present employers' plans.

There is also a significant difference in the monthly pension from the same contribution depending on the income class of the employee before and after retirement. Table 17 assumes that the postretirement income is one-half the preretirement income. The monthly pension that results from a $100 annual contribution is consistently larger for the lower income person because the higher income retiree has to pay a higher tax on his monthly pension. But when the monthly pension is compared with what it would have been if the contributions had been invested in a savings account, the higher income person receives a higher absolute

TABLE 17

EMPLOYEE'S MONTHLY PENSION (AFTER-TAX) PURCHASED WITH $100 OF ANNUAL PENSION FUND CONTRIBUTION OR WAGE INCREASES

(30-YEAR WORK PERIOD - 65 RETIREMENT AGE)

AVERAGE INCOME OF EMPLOYEE BEFORE & AFTER RETIREMENT	AFTER-TAX EMPLOYEE SAVINGS INVESTED IN A REGULAR SAVINGS ACOUNT	EMPLOYEE SAVINGS WITH INTEREST TAX DEFERRED (EMPLOYEE CONTRIBUTIONS IN A QUALIFIED PLAN)	IRA, KEOGH, AND QUALIFIED PLAN OF TAX EXEMPT ORGANIZATION	EMPLOYER CONTRIBUTIONS TO A QUALIFIED PENSION PLAN
$40,000 / 20,000	$ 36	$ 52	$ 89	$ 89
20,000 / 10,000	58	71	96	96
10,000 / 5,000	74	92	112	112
NET INCOME DUE TO TAX DEFERRAL RELATIVE TO TAXATION AS ORDINARY INCOME				
$ 40,000 / 20,000	—	$ 16	$ 53	$ 53
20,000 / 10,000	—	13	38	38
10,000 / 5,000	—	18	38	38

Source: U.S. Treasury Department, November 29, 1979

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benefit because of the difference in the way the tax system treats the contribution under IRA and Keogh plans.

The major reason given for providing the tax advantages described above for retirement contributions, earnings and benefits is that the federal government wants to encourage retirement savings.

The recent experience with IRAs demonstrates that, due to income levels and the tax structure, higher income individuals are more likely to utilize a voluntary tax deferral program than are lower income people. Table 18 shows that by 1977, utilization of IRAs increased considerably with income. While only 3.3 percent of the eligible $10,000-$15,000 income class utlize IRAs, 52.4 percent of those eligible with family income above $50,000 utilized IRAs.

There is also a direct relationship between income class and participation in public and private pension plans. Approximately 70 percent of people with family-adjusted gross income of $10,000 or less are not covered by public or private pension plans. However, over 70 percent of people with family incomes above $20,000 are covered.

Both of these tables demonstrate that current tax incentives have acted to increase pension plan participation for higher income but not for lower income individuals.

Earnings

With the increasing costs of pensions and the impact of inflation on retirement income, there is concern over early retirement and the decreasing role of earnings.

In recent years, earnings from work has been a less important income source for the older population, and there has been an increase in the importance of retirement benefits. In 1951, over half of the married couples age 65 and over received income from earnings. By 1976, this proportion had declined to about 40 percent. For single men, this proportion declined from 34 to 21 percent. For single women, the proportion increased from 13 to 23 percent in 1962 but subsequently declined to about 14 percent. By 1977, over 97 percent of the population age 65 and over received at least part of their total money income from retirement income compared with only about one-third in 1951.

This drop in earnings was caused by the declining labor force participation of older males over the last three decades. For males age 65 and over, participation has been almost halved, dropping from 39 percent in 1950 to 20 percent in 1979. Participation rates have also dropped for men ages 55 to 64. The drop has been particulary dramatic for men in their early sixties. Although early retirement under

TABLE 18

PERCENTAGE OF PEOPLE WHO ARE ELIGIBLE WHO HAVE IRA'S BY INCOME CLASS, 1977

FAMILY ADJUSTED GROSS INCOME (IN DOLLARS)	PERCENTAGE OF PEOPLE WHO ARE ELIGIBLE	PERCENTAGE OF ELIGIBLE PEOPLE WHO HAVE IRA'S
0 - 5,000	85.0	.2
5,000 - 10,000	70.0	1.3
10,000 - 15,000	60.0	3.3
15,000 - 20,000	45.4	5.5
20,000 - 50,000	24.9	21.7
OVER 50,000	28.6	52.4

Source President's Commission on Pension Policy

social security was provided for men in 1961, the 1970s witnessed the largest drop in the age category 60 to 64. Older women had been experiencing a counter trend of increased participation.

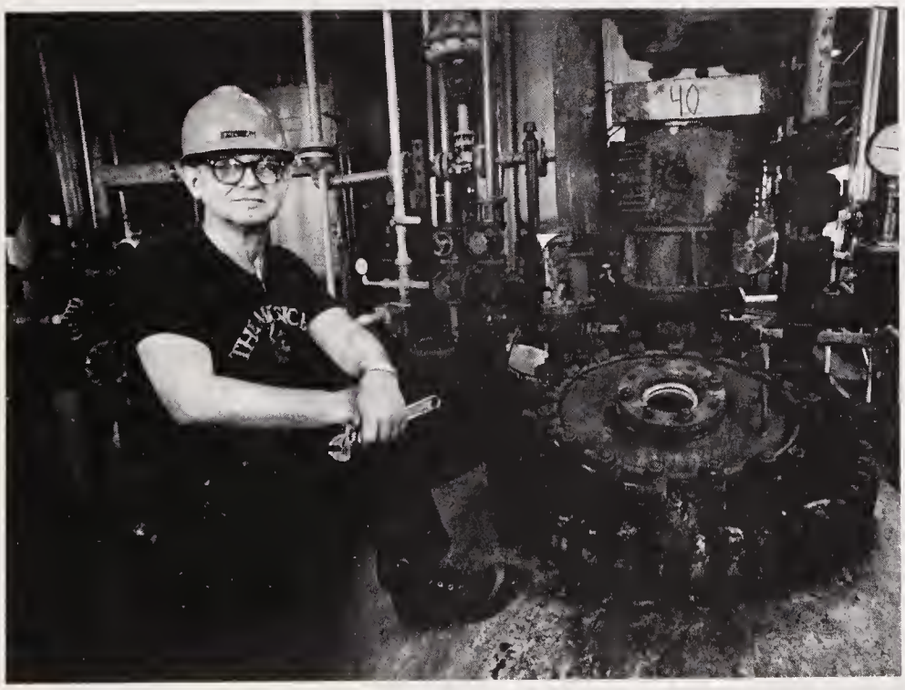
There are several government policies that act to discourage work. The biggest disincentive to work within the context of the social security system is the retirement or earnings test. The test was originally intended to ensure that social security dollars were not merely transfers from one working population to another. Currently, if individuals age 65 to 72 have earnings over $5,500, one dollar in benefits is withheld for every two dollars earned above the limit. There is no limit for persons age 72 and over. The earnings limitation is scheduled to increase to $6,000 in December 1981 and at the same time the age at which the test no longer applies will drop to age 70.

Mandatory retirement is another policy which limits participation in the labor force by older people. Although the Age Discrimination in Employment Act (ADEA) has recently liberalized mandatory retirement by raising the upper age limit from 65 to 70, retirement at age 70 may still be mandated outside the federal government. While few persons may wish to work beyond this age, it is still viewed by many as a limitation of a person's freedom to continue working.

The labor force participation of older workers has declined steadily. In 1979 only 34 percent of all workers aged 60-64 and 8 percent of all workers over age 65 were still in the work force.

Disability Programs

A number of problems are caused by the lack of coordination between disability and retirement programs. In some instances, disability programs are being misused as old age retirement programs, while in other cases, the reverse is true — old age retirement programs are being misused as disability programs.



Disability benefits are protection against an unanticipated inability to work. While many of the elderly are unable to work, this inability can be anticipated.

Some employee compensation programs award occupational disability benefits when it is expected that the majority of workers may become unfit to continue working. For example, many police or fire compensation boards award disability benefits to the majority of workers who separate after long service.

Disability programs are misused in this manner either because other separation pay is not available or because disability benefits are higher than other options. Unlike retirement benefits, disability benefits are not usually reduced when paid at early ages. Furthermore, many disability benefits are not taxed.

Some individuals take early retirement when they should be retiring under a disability program. This happens frequently under social security. Some individuals apply for old age benefits, reduced by as much as 20 percent, when actually they are incapable of working due to poor health.

The lack of coordination between public and private sector disability programs can cause a disincentive for the disabled to continue or to return to work because some beneficiaries receive disability benefits in excess of their previous wage levels due to overlapping, multiple programs. It is estimated that perhaps one-fourth of the disabled receive excessive benefits. This work disincentive is underscored by the tax-exempt status of most disability payments and reinforced by earnings tests because many disability benefits are eliminated completely with some minimal level of earnings.

While even the most recent studies of actual benefits are outdated, the research clearly suggests that due to multiple coverage problems of low benefits and gaps are more serious than the problem of excessive benefits. About 27 percent of those unable to work at all received no benefits. Some 25 percent received benefits from two sources, and 4 percent received benefits from three or more sources. Approximately one-half of those

with multiple coverage involved welfare programs, indicating that total benefits from multiple sources were low.

On average, totally disabled males had only about one-third of their lost earnings replaced by benefits. Those with social security had about 40 percent of earnings replaced, those with veterans' benefits had about half of losses replaced and those with employee pensions had about two-thirds of earnings replaced. This variation by source partially reflects the fact that 70 percent of disability pension recipients received social security, while only 20 percent of social security recipients also received pensions. This wide disparity in replacement rates is largely the result of the unsystematic way in which the current system of disability programs developed.

The lack of even basic social security disability coverage for certain groups presents additional problems. To qualify for social security disability benefits, individuals must have recent covered employment, and they must have worked in covered employment at least one-fourth of their work lives. These requirements are difficult for workers who move between covered and noncovered employment and for part-career workers. Social security disability protection for full-time homemakers is non-existent, except for older widows and dependents of beneficiaries. Yet their disability can cause financial strain to their families.

Supplemental Security Income and In-Kind Benefits

SSI does not effectively provide a minimum floor of protection to those not taken care of by retirement income programs. Federal SSI benefits are well below the poverty line. While some states provide supplements to federal benefits, these are not universal.

In-kind benefits such as medicare, medicaid, food stamps and housing assistance play significant roles in contributing to the elderly poor. By far the most important in-kind benefit is medical assistance, often worth hundreds of dollars annually to individual recipients.

But the significance of in-kind benefits should not be overstated. Even after the inclusion of all in-kind benefits, it is estimated that 58 percent of the aged singles and 36 percent of the aged families did not have sufficient cash and in-kind benefits in 1978 to achieve the living standard implied by the moderate income levels of the Bureau of Labor Statistics intermdiate budget. On a cash basis, this standard in 1980 was approximately $8,562 for couples and two-thirds of that amount, $5,737, for singles.

Disability policy is directly related to retirement age policy. Disability retirement often becomes a substitute for early retirement.

All in-kind benefits, with the exception of medicare, are means-tested. SSI recipients are subject to an extensive assets test. To qualify for SSI benefits, individuals must have assets below $1,500 and couples must have less than $2,250. The assets test excludes automobiles valued at $4,500 or less and household goods and personal effects of $2,000. The assets limitations of $1,500 and $2,250 have not been updated since the enactment of the SSI program in 1972. The test necessitates an administrative bureaucracy and an unnecessary intrusion.

Administration

The lack of a comprehensive approach to retirement income problems has been one of the major obstacles in developing a coordinated and efficient system. Broad policymaking at the federal level has been impeded because of the large numbers of departments, agencies and congressional committees with partial jurisdiction over retirement issues.

Responsibilities for income security are now scattered among ten of the 12 cabinet departments, more than 25 operating groups within the ten departments and at

come security programs. Jurisdiction in Congress is equally fragmented. The GAO estimates that 119 of the 306 congressional committees and subcommittees have policymaking, fiscal or oversight responsibilities for income security programs.

Retirement and disability programs account for the largest block of federal expenditures for income security programs. In 1980, over $144 billion was spent on retirement and disability income programs alone. As stated in earlier sections of this report, related programs such as food stamps, unemployment compensation, housing assistance, medicaid and other public assistance are often not coordinated with these retirement and disability income programs.

Even within the federal sector, retirement plans are scattered among a myriad of agencies. Today, 51 federal retirement programs are in operation. They range in size from the Civil Service Retirement System and the Military Retirement System, each with over 4 million active and retired participants, down to several plans with just one participant. Many of these have adopted different policies with regard to the financing and benefit provisions of the retirement programs.

Federal administration of ERISA is currently shared by three agencies: the U.S. Department of Labor, the U.S. Department of Treasury (IRS), and the Pension Benefit Guarantee Corporation. In recent years, those agencies have made great strides in making this cumbersome administrative arrangement work efficiently. For example, a recent Office of Management and Budget report cites impressive accomplishments by these agencies over the past four years in reducing unnecessary paperwork and speeding up the processing of regulations and exemptions. This administrative arrangement however, continues to frustrate those who seek a single voice covering federal pension policy with regard to private employee benefit plans.

Recommendations

The Commission believes that individuals should be able to maintain their preretirement standard of living during retirement years. Retirees should not have to experience a sudden drop in their standard of living. These goals should be accomplished using income from all sources, including benefits from retirement programs as well as from income derived from individual effort.

Income from social security should be available to all retired workers and their families. It should be supplemented by income from employee pensions. In addition, individuals should be encouraged to supplement retirement income through individual effort from savings and employment. Welfare and in-kind benefit programs should be available for those individuals with irregular work histories and who do not have the necessary resources in retirement to maintain minimally adequate standards of living.

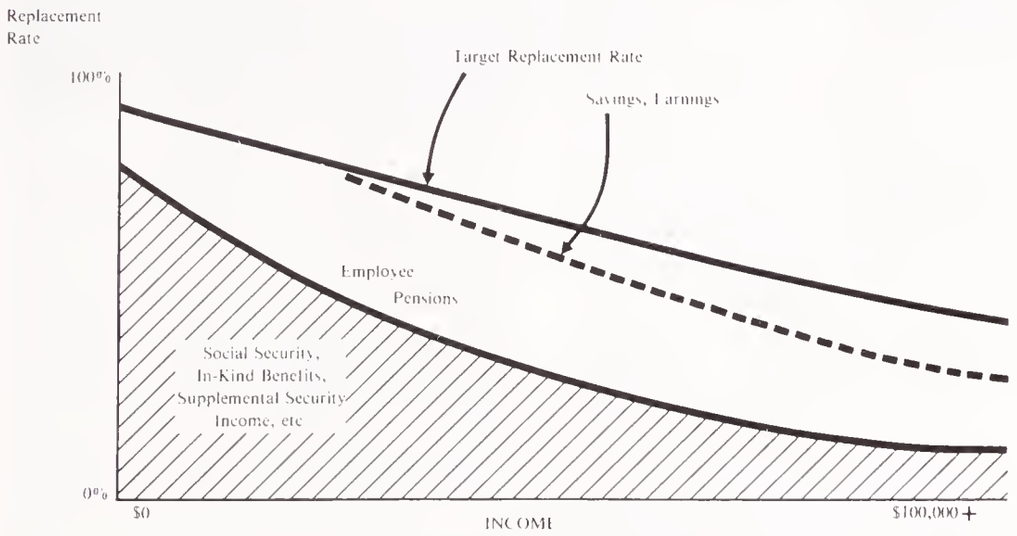
The Commission endorses the current role of social security in providing a minimum floor of protection for the aged. The purpose of the Old Age, Survivors and Disability Insurance Program is to provide income to workers and their families when a worker retires, dies or becomes disabled. The program combines the goals of individual equity and social adequacy. On the one hand, there is a relationship between the earnings on which an individual pays social security taxes and what he or she receives in cash benefits. On the other hand, the program is partly redistributive, targeting benefits to those most in need. By helping to prevent poverty, it contributes to the economic and political health of society.

However, the basic social security benefit must be supplemented if preretirement living standards are to be maintained in retirement. Employee pensions appropriately provide this supplement because pensions are related to the workers' earnings level and work effort. Pensions are deferred wages that are earned by workers, and as such there should be little if any redistribution of income among plan participants.

Funded employee pensions are an excellent vehicle to provide supplementation to social security benefits. By funding a substantial portion of individuals' retirement resources, the nation will be better prepared to provide the resources required to support the retired population. Funding encourages capital investment and should therefore help the long run productive capabilities of the economy. Furthermore, advance funding requires smaller direct intergenerational income

CHART 7

THE RELATIVE ROLES OF RETIREMENT INCOME SOURCES



* This chart illustrates the hypothetical, relative roles of the various retirement income sources that the Commission is trying to achieve in its recommendations. The chart is not intended to indicate a precise relationship between the various components.

Source: President's Commission on Pension Policy

transfers from the working to the retired population.

The Commission also believes that workers should be encouraged to supplement their retirement income through individual initiatives. Voluntary savings for retirement should be encouraged through new approaches to tax and other policies and public policy should encourage the availability of earnings as a supplement to retirement income. Chart 7 illustrates the relative roles that social security, employee pensions and savings can play for various income groups. Although savings may not play a significant role at the lower income level, it can be expected to play a more significant role as income levels increase. Chart 7 illustrates how social security, employee pensions and individual effort can play different relative roles for various income groups.

Retirement Income Goals

The Commission believes that the replacement of preretirement disposable income from all sources is a desirable retirement income goal. Preretirement living standards should be measured in terms of preretirement disposable income. Because of changes in consumption patterns, tax liabilities and savings rates, the income that needs to be replaced in retirement is less than 100 percent of preretirement earnings.

Although preretirement disposable income is difficult to quantify precisely, estimates can produce reliable ranges of income that would need to be replaced for different income groups. Tables 19 and 20 illustrate an average range of replacement ratios, from 79 percent for the minimum wage earner to 51 percent for the highest-income person. For a single person at the minimum wage level, replacement rates would fall closer to the 75 to 85 percent range for the average wage earner of $15,000, in the 60 to 70 percent range, and for the highest earner, in the 45 to 55 percent range. For married couples, the rates at these levels would be 80 to 90 percent, 65 to 75 percent and 50 to 60 percent, respectively.

Additional views by Commissioner Greenough.

Strengthening Employee Pensions

Minimum Universal Pension System

The Commission recommends that a Minimum Universal Pension System (MUPS) be established for all workers. The system should be funded by employer contributions. The Commission further recommends that a 3 percent of payroll contribution be established as a minimum benefit standard. All employees over the age of 25, with one year of service and 1,000 hours of employment with their employer would be participants in the system. Vesting of benefits would be immediate.

TABLE 19

RETIREMENT INCOME TO MAINTAIN PRERETIREMENT STANDARD OF LIVING SINGLE PERSONS PRETIRING IN 1980 FOR SELECTED INCOME LEVELS

GROSS PRE-RETIREMENT INCOME	PRERETIREMENT TAXES		DISPOSABLE INCOME	REDUCTION IN EXPENSES AT RETIREMENT			NET PRE-RETIREMENT INCOME	POST RETIREMENT TAXES[4]		EQUIVALENT RETIREMENT INCOME	
	FEDERAL[1]	STATE & LOCAL[2]		WORK RELATED EXPENSES[3]	SAVINGS & INVESTMENTS			FEDERAL INCOME	STATE & LOCAL[2]	DOLLARS	RATIO
$ 6,500	$ 906	$ 97	$ 5,497	$ 330	0%	$ 0	$ 5,167	$ 0	$ 0	$ 5,167	.79
10,000	1,785	223	7,992	480	3	240	7,272	0	0	7,272	.73
15,000	3,259	444	11,297	678	6	678	9,941	0	0	9,941	.66
20,000	5,055	728	14,217	853	9	1,280	12,084	166	32	12,282	.61
30,000	8,926	1,429	19,645	1,179	12	2,357	16,109	1,077	205	17,391	.58
50,000	18,921	3,328	27,751	1,665	15	4,163	21,923	3,153	599	25,675	.51

1. Federal income and social security (OASDHI) taxes.
2. Based on state and local 1978 income tax receipts which were 19% of federal income tax receipts. Does not include property taxes.
3. Estimated as 6% of disposable income.
4. Post retirement taxes are on income in excess of social security benefits which are non-taxable. Retirees without social security benefits would need higher replacement ratios.

Source: Preston C. Bassett, Consulting Actuary, President's Commission on Pension Policy, 1980.

TABLE 20

RETIREMENT INCOME TO MAINTAIN PRERETIREMENT STANDARD OF LIVING MARRIED COUPLES RETIRING IN 1980 FOR SELECTED INCOME LEVELS

GROSS PRE-RETIREMENT INCOME	PRERETIREMENT TAXES: FEDERAL[1]	PRERETIREMENT TAXES: STATE & LOCAL[2]	DISPOSABLE INCOME	REDUCTION IN EXPENSES AT RETIREMENT: WORK RELATED EXPENSES[3]	REDUCTION IN EXPENSES AT RETIREMENT: %	REDUCTION IN EXPENSES AT RETIREMENT: SAVINGS & INVESTMENTS	NET PRE-RETIREMENT INCOME	POST RETIREMENT TAXES[4]: FEDERAL INCOME	POST RETIREMENT TAXES[4]: STATE & LOCAL[2]	EQUIVALENT RETIREMENT INCOME: DOLLARS	EQUIVALENT RETIREMENT INCOME: RATIO
$ 6,500	$ 549	$ 29	$ 5,922	$ 355	0%	$ 0	$ 5,567	$ 0	$ 0	$ 5,567	.86
10,000	1,311	133	8,556	513	3	257	7,786	0	0	7,786	.78
15,000	2,550	310	12,140	729	6	728	10,684	0	0	10,684	.71
20,000	3,968	520	15,512	971	9	1,396	13,185	0	0	13,185	.66
30,000	6,986	1,061	21,950	1,317	12	2,634	17,999	53	10	18,062	.60
50,000	15,202	2,622	32,176	1,931	15	4,826	25,419	1,651	314	27,384	.55

1. Federal income and social security (OASDHI) taxes
2. Based on state and local 1978 income tax receipts which were 19% of federal income tax receipts. Does not include property tax
3. Estimated as 6% of disposable income.
4. Post retirement taxes are on income in excess of social security benefits which are non-taxable. Retirees without social security benefits would need higher replacement ratios.

Source: Preston C. Bassett, consulting Actuary, President's Commission on Pension Policy, 1980

Under a MUPS, current pension plans would be amended to provide the equivalent of what a MUPS would provide. The MUPS benefit would be a supplement to social security benefits and could not be integrated with social security.

To help mitigate the costs of a MUPS for employers and employees, it is recommended that the program be phased in over three years. In addition, a special MUPS tax credit for small business should be available. Employers should be able to take a tax credit of 46 percent of their contribution to a qualified plan, up to a limit of 3 percent of payroll.

Employers should be encouraged to maintain the accumulated funds in pension trusts or through arrangements with insurance companies and other financial institutions. However, those employers who do not wish to administer an employee pension plan could send their contributions to the portability clearinghouse within the Social Security Administration. These funds would be transferred to a central MUPS portability fund which would be established to invest the funds in the economy. The fund should be administered by an independent Board of Trustees appointed by the President.

The Commission believes that other programs to supplement social security's basic floor of protection must be substantially increased. Tax incentives, even those proposed by this report, will not significantly increase the pension plan participation of low and moderate-income workers and workers employed by small businesses. In addition, the Commission concludes that it is not wise for this country to rely so heavily on the pay-as-you-go social security system to provide all income for these workers in retirement.

This Commission recommendation should be particularly attractive to both employees and owners of small businesses. The defined contribution minimum standard would significantly reduce the administrative complexities often associated with pension plans. In addition, availability of a portability clearinghouse for benefit records and a MUPS portability fund for plan assets would allow employers the advantages of large pooled funds.

The Commission believes that the establishment of minimum universal pension system will cause a significant shift in the relative roles of social security employee pensions and savings as sources of retirement income. Elsewhere in this report the Commission also recommends that voluntary employee contributions to employee pension plans should receive favorable tax treatment. This would apply to a MUPS as well. Combined with the MUPS proposal, tax incentives for volun-

tary employee contributions could provide a new mechanism for increasing personal savings for retirement.

As shown by charts 8 and 9, a MUPS plan that the Commission has endorsed would cause a significant improvement in the incomes of the elderly, particularly those at the lower end of the income distribution. It would also increase the proportion of total retirement income financed by funded pension programs.

This dramatic improvement in income levels, an average of approximately 24 percent for couples and singles, is due to a number of factors. The most important of these is the increase in benefit payments from funded employee pension plans. Benefit payments from employee pension plans are predicted to increase by approximately 75 percent. Social security annual benefit payment levels are predicted to remain about the same, though social security's share of the total drops approximately 13 percent.

EFFECT OF MUPS AND A CHANGED SOCIAL SECURITY RETIREMENT AGE ON THE DISTRIBUTION OF RETIREMENT INCOME FOR MARRIED HOUSEHOLDS, 2018-2022

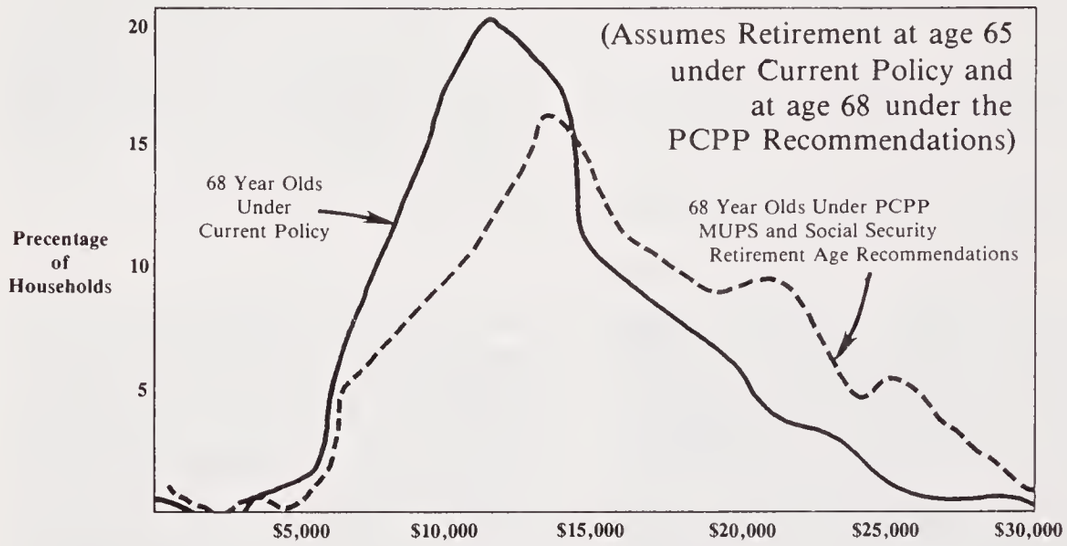


CHART 8

EFFECT OF MUPS AND A CHANGED SOCIAL SECURITY RETIRMENT AGE ON THE DISTRIBUTION OF RETIREMENT INCOME FOR UNMARRIED INDIVIDUALS, 2018-2022

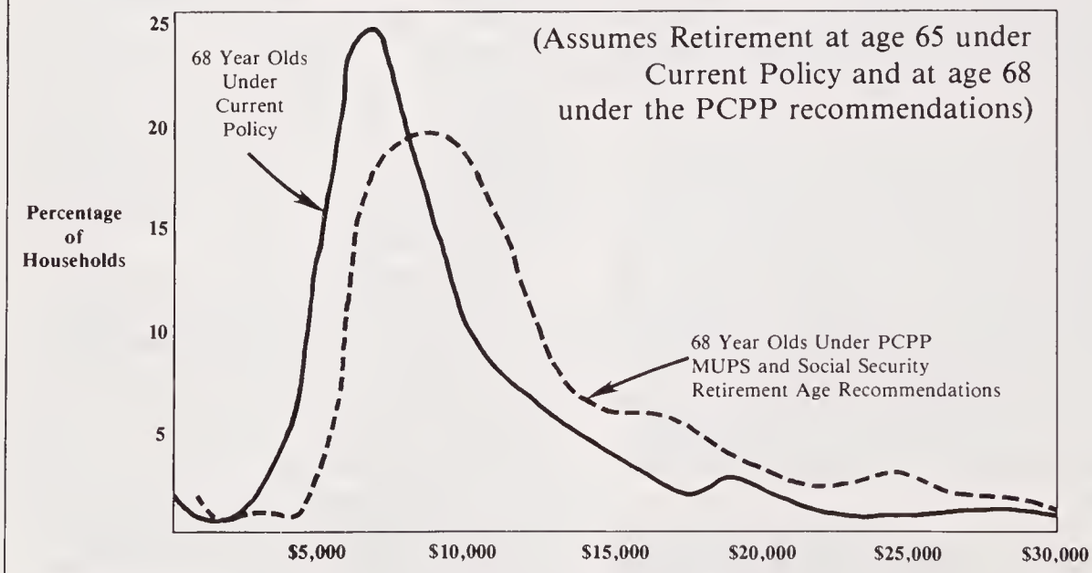


CHART 9

Vesting and Portability

For pension benefits above the MUPS minimum, the Commission recommends that ERISA's vesting standards should not be changed. However, the Commission urges voluntary changes to shorter vesting schedules, especially for mature plans.

The Commission recommends all cash-outs of pension benefits over $500 be prohibited unless transferred to an IRA or the plan of a subsequent employer. The Commission strongly urges government and the private sector to take steps to encourage and facilitate the use of the IRA as a portability mechanism.

Earlier vesting for private pension plans would increase pensions for those workers who move between jobs after short periods of service. Thus, pensions would reflect more of an employee's total working career. Also, to the extent that pensions are considered deferred wages, increased equity is attained by earlier vesting. The Commission believes that vested pensions should not be used as a cash separation allowance but should be retained for retirement. However, the value of the credited pension can be small particularly at the young ages and thus current values of less than $500 may be paid in cash.

Integration

The Commission recommends benefits provided under a MUPS should not be integrated with social security. Because the benefits from such a system are intended to provide a minimum supplement to social security, it is inappropriate and inconsistent both with the purpose of integration and of such a pension system.

The Commission recommends changes be made to the current integration rules so that the result is consistent with the fulfillment of retirement income goals.

The Commission also recommends integration rules be made less complex.

The Commission believes a mechanism to coordinate social security and employee pensions is an essential part of retirement income policy. Coordination can facilitate the fulfillment of retirement income goals. It is needed to ensure the equitable, adequate and efficient delivery of retirement benefits.

Certain aspects of social security integration are consistent with the goals of coordinating retirement programs, while other aspects are not. On the one hand, integration provides a mechanism for coordinating retirement programs whose goals and benefit structures are vastly different. Tax law requires that such coordination is not discriminatory in favor of higher-paid workers. On the other hand, current integration rules may discourage the fulfillment of retirement income goals, particularly for low-wage earners.

The complexity of current integration rules makes them difficult for both employers and employees to understand.

Spouse Benefits

Postretirement survivor protection under the pension plan should be mandatory unless there are extenuating circumstances for the couple. Couples may waive the joint and survivor option by jointly signing such a waiver under circumstances where each spouse is a willing and knowledgeable signator.

The 50 percent joint and survivor option should be provided automatically to the survivors of workers who die in the 10-year period prior to normal retirement age of the plan. Also, the Commission recommends that both the employee and the spouse would have to agree to opt out of this automatic provision. At earlier ages where benefits are vested, survivor protection should be provided either through the pension plan or through life insurance.

In cases of separation or divorce, the pension entitlement earned during the marriage should be divisible. This recommendation should not be construed to weaken present nonalienation of benefits provisions under ERISA.

The Commission recommends that all retirement systems recognize the economic partnership of marriage. Pensions, as deferred wages, should be considered a benefit earned jointly by both spouses. This principle would apply to both survivor protection under plans and protection for spouses who divorce.

The economic plight of many women in old age can be traced directly to failures in employee pension systems. Women, while making significant contributions to the husbands' careers and economic success, do not always reap the benefits at a time when economic security is most important — old age. Requiring a mandatory joint and survivor option and divisible pension entitlements upon divorce should alleviate a number of in-

come security problems.

Providing an automatic joint and survivor option in the ten years prior to normal retirement age insures that the pension vests to the couple rather than the individual worker. It is during this time period that a widow would probably have the most difficulty reentering the labor force if she were not already working.

The Commission leaves the courts to decide how to divide pension entitlements upon divorce. A variety of factors would influence such decisions, and these factors are best weighed for the individual circumstances.

Retirement Ages

The Commission recommends that ERISA should be amended to permit private pension plans, on a voluntary basis, to increase their normal retirement age in tandem with social security. As in the private sector, public employee pension plans should increase their normal retirement age in tandem with social security. A retirement age policy that parallels that of social security is recommended for all federal retirement programs. Under this recommendation, the current social security normal retirement age of 65 would be phased in for new retirees. This age would increase in tandem with increases in the social security normal retirement age. Early retirement benefits would be actuarially reduced for new retirees.

The Commission expresses concern about the payment at very young ages of old age pension benefits to public employees in hazardous occupations. In particular, the Commission believes it is inappropriate to use pension plans largely as recruitment, retention and separation devices. The Commission recommends that other methods be found to carry out these functions and that pension programs be used solely to provide retirement income. Employee pension plans are encouraged under these recommendations to increase their retirement ages in tandem with recommended increases in the social security retirement ages, as discussed later.

State and Local Government Plans

The Commission recommends that, because state and local government employees deserve the same protection as employees in the private sector, a Public Employee Retirement Income Security Act (PERISA) should be enacted covering the same areas of concern as covered by ERISA.

The Commission has made a number of recommendations that would affect state and local pension plans. Currently, private sector employees enjoy protection by ERISA in the following areas: participation, vesting, reporting, disclosure, funding, fiduciary responsibility, limits on benefits or contributions, survivor benefits and plan termination insurance.

Ownership and Control

The Commission believes that concern relating to the ownership and control of pension fund assets are among the most important social and economic public policy issues facing the nation in the upcoming decades. This Commission, while it realizes their importance, does not believe that enough is now known about these complex legal and economic issues to enable it to make conclusive recommendations.

In the interim, the Commission recommends that Congress and the President continue research and policy development; to encourage public debate, the Commission further recommends the establishment of a Presidential Commission.

In the interim, the Commission recommends that ERISA's prudence standards not be construed so as to narrow normal prudence standards to prevent pension funds from taking into account the broader social interests of the pension plan beneficiaries in making investment decisions.

Additional views by Commissioners Bragg, Bowden, Greenough, Griffiths, Lyons and Kapnick.

Strengthening Social Security

Financing

To solve the short-run financing problems, the Commission recommends that there should be interfund borrowing and an acceleration of the scheduled payroll tax rate increases.

The Commission recommends the normal retirement age of 65 for social security should not be raised for working people who are approaching retirement age. However, to help solve the long-run financing problem, an increase in the normal retirement age to 68 should be phased in over a twelve year period beginning in the year 1990. The social security early retirement age, now 62, should be raised to 65, in tandem with the normal retirement age. Disability benefits should be

available through the normal retirement age.

The Commission believes social security benefits should continue to be financed solely by equal payroll taxes from employees and employers. This has been the practice since the start of the social security system in 1935 and has provided employees with a feeling of direct participation in the program and a right to benefits as though earned. Also, balancing expected payments to expected tax revenues provides some restraint on legislating higher benefits.

The allocation of social security taxes between old age and survivor benefits, disability benefits and hospital insurance has been changed over the years (most recently in 1980) and deficits surpluses have developed in the separate funds in uneven patterns. Thus, if necessary, interfund borrowing can be used to smooth out fluctuations.

The change in normal retirement age gradually to age 68 in the year 2002 is justified for several reasons. First, the average expectation of life has increased substantially since the social security system was adopted in 1935. It is probable that those retiring at age 68 in 2002 will have several more years in retirement than those retiring at age 65 have had in the past. Second, workers are healthier and many jobs are less strenuous today for 65 to 68 year olds than in the past. However, disability benefits should be provided for those who cannot work for health reasons. Third, when the "baby boom" generation retires there will be a severe strain on the financing of social security if the retirement ages stay as they are today. Raising the retirement age by three years would substantially alleviate the problem. Since current workers may have already made retirement plans contingent upon receiving social security benefits at age 65, no change in the retirement age is recommended prior to 1990.

Universal Social Security Coverage

The Commission believes that individuals who are already retired and workers eligible for immediate retirement should not be affected by an modification of a pension system caused by coordination with social security coverage. Social security should not replace an existing pension system for noncovered workers. Rather, an existing system should be modified to take into account benefits available under social security.

The Commission recommends mandatory universal social security coverage. Specifically, the Commission recommends extending social security coverage to all new workers who otherwise would not be covered. However, the Commission recommends that members of certain religious groups continue to be exempted from mandatory social security.

The Commission recommends that action be taken immediately to eliminate benefit gaps and unintended subsidies to workers who have not had substantial social security coverage.

The Commission recommends that the current option allowing covered government and nonprofit groups to withdraw from the social security program be terminated immediately and those groups be encouraged to elect coverage prior to the effective date of mandatory coverage.

Most noncovered workers are federal, state and local government employees, and employees in nonprofit organizations.

Universal coverage and interim measures to lessen gaps would eliminate benefit problems for workers who move between covered and noncovered employment. Disability benefits from social security frequently require forty quarters of employment before providing disability protection. Mobile workers have to wait several years before they are protected by social security benefit programs.

Universal coverage and interim steps to lessen unintended subsidies would eliminate inequities in the distribution of social security benefits. The benefit structure is designed to provide proportionately higher benefits to workers with low career-average wages. The social security structure attempts to target benefits to those with the greatest need.

Tax Treatment and the Earnings Test

Contributions to and benefits from social security should receive the same tax treatment as do those of other retirement programs. At the time of filing, the employee would choose the higher of a tax deduction or a tax credit for the social security employee contribution. As this tax treatment is phased in, the social security earnings test should be phased out.

The Commission wants to encourage employment of older workers. Therefore, it recommends the elimination of the earnings test. This recommendation is contingent upon adoption of a parallel Commission recommendation that contributions to and benefits from social security should receive the same tax treat-

ment as other retirement programs. The latter recommendation stems from the Commission's belief that the taxes on various types of retirement income and contributions ought to be consistent. If this proposal were adopted, it would mean that taxes on contributions to social security would be deferred and benefits from social security would eventually be counted as income subject to taxation.

Currently, employee contributions to social security are included in taxable income and all benefits are received tax free. The tax free nature of the benefits is one of the reasons why many have argued that the social security earnings test should be eliminated.

This proposal would subject retirement income from all sources to the graduated income tax and remove the earnings test which is essentially a 50 percent tax on earned income above the specified limits. Low income retirees receiving retirement income solely from social security would generally not pay any new taxes.

Spouse Benefits

The Commission recommends earnings sharing be used upon divorce and inheritance of earnings credits be provided to surviving spouses of two-earner couples.

The Commission recommends earnings sharing should not be used for the purpose of disability.

Divorced and widowed persons are disproportionately represented among the aged poor. In addition, social security can deliver unequal retirement and survivor benefits among retired couples who have the same earnings history. The Commission's two recommendations would simultaneously enhance the adequacy and equity of benefits for these groups, thereby reducing dependency.

In cases of separation or divorce, the Commission believes that social security entitlements should be dividable. The Commission feels that reforming the social security benefit structure so that divorced spouses share equally in entitlements earned during the marriage would make the system more equitable. This can be accomplished by sharing equally the earnings that accrued to the couple during the marriage.

The Commission believes that shared earnings should not be used for the purpose of determining eligibility for disability benefits. Providing disability benefits to homemakers could lead to serious abuses of the program because of the difficulty in determininig a disability. Furthermore, this restriction would remove an incentive for divorce if homemakers believe they would be eligible for disability benefits. Finally, without this restriction, program costs could increase significantly.

The Commission recommends that survivor benefits should be improved for couples in which both marriage partners had substantial work histories. Acknowledging some cost implications, the Commission feels that, among couples with the same covered earnings, surviving spouses from two-earner couples should receive benefits equivalent to what is now afforded full-career homemakers. This can be accomplished by maintaining the survivor protection to one-earner couples and permitting survivors from two-earner couples to combine their wage records with the deceased spouse's wage records earned during the marriage. In addition, this approach would improve the benefits for surviving spouses of workers who are at young ages.

Special Minimum Benefit Under Social Security

The Commission recommends the social security special minimum benefit be available to long-service workers to enable them to meet the Commission's retirement income goals. This special minimum benefit should be calculated to take into account receipt of employee pensions.

The special minimum benefit is the most efficient means in the social security system to ensure a minimum income to those with long service because it does not affect the regular benefit formula. The Commission feels that additional benefits should be targeted to low-income, long-service workers without affecting benefits to short-career workers or to other beneficiaries with moderate-to-high earnings.

The Commission recommends that the social security special minimum benefit be improved to ensure that full-career, low-income workers have adequate income. The special minimum benefit should be offset by any employee pension received by the beneficiary. However, because low-income workers are not likely to receive employee pensions, the Commission anticipates that the special minimum benefit would provide the bulk of retirement income to these low-income retired workers. The Commission anticipates that as a MUPS matures, the MUPS and

regular social security benefits would combine to meet its retirement income goals.

Miscellaneous Benefits

The Commission recommends that the student benefit, the young parent benefit and the parent benefit be reexamined and put on a more rational basis.

Additional views by Commissioners Bowden, Kapnick, Carter, Griffiths and Lyons.

Strengthening Individual Efforts

Individual Savings

The Commission recommends that the tax treatment of savings specifically for retirement should be the same as the tax treatment of pension plans.

Favorable tax treatment should be extended to employee contributions to pension plans. A refundable tax credit for low and moderate income people to encourage voluntary individual retirement savings and employee contributions to plans are recommended. At the time of tax filing, the employee would choose the higher of a tax deduction or a tax credit.

Contributions and benefit limitations for individuals should be treated more consistently for all types of retirement savings.

The Commission finds that new government policies are needed to provide greater incentives to all individuals to participate directly in providing for their own retirement income needs. Individual savings must be strengthened as a source of retirement income for all workers, regardless of income or form of savings. The Commission believes this direction for public policy is consistent with other national goals encouraging and supporting individual effort and strengthening the economy.

The Commission believes the tax system provides an appropriate means of encouraging individual retirement savings. The Commission finds that tax policy should provide economic incentives to increase the level and incidence of saving for retirement.

The Commission believes tax policy should treat all retirement savings in a more consistent manner. Currently, people have different economic incentives to save for retirement because of the the inconsistent tax treatment of various forms of savings. The Commission believes a uniform tax policy toward retirement savings would distribute the tax benefits more equitably and would be a more rational approach to providing incentives for individual effort, consistent with other national policies. This policy would provide all individuals greater incentives to save for retirement and help attain the goals of an adequate retirement income. Some limitation would be needed on the total amount of income an individual could defer. The limitation should take into account vested benefits in pension plans, IRAs, Keoghs, stock bonus plans and other forms of retirement savings.

Employment of Older Workers

If the Commission recommendation on the tax treatment of social security benefits is adopted, then the social security earnings test should be removed. The earnings test limits should be phased out as the Commission's proposal concerning the exclusion of social security contributions and inclusion of benefits in taxable income is phased in.

Information on alternative work patterns should be encouraged and developed through research and demonstration programs in existing federal employment programs. Job retraining and job redesign for older workers in private industry also should be encouraged.

In conjunction with its recommendation to raise the retirement age, the Commission recognizes the problem of long-term unemployment among older workers and the use of early retirement under social security to solve this problem. Rather than utilize the social security system, consideration should be given to improving unemployment benefits to provide both short-term income maintenance for these workers and to keep them in the labor force.

The ADEA has recently been amended to raise the permissible mandatory retirement age from 65 to 70. As yet there is little experience with the impact of this law on specific work forces, management practices and labor costs, but early indications are that any feared adverse effects on younger workers have been minimal. After sufficient experience has been gained, consideration should be given to eliminating mandatory retirement completely.

The Commission recommends that public policies encourage greater utilization of older workers in both full and part-time employment. Increased labor force participation of older workers will help to reduce increasing burdens on retirement income programs. Further, an

abrupt change in life-style may not always be desirable for the well-being of an individual.

The Commission believes that the definition of retirement, which has been thought of as moving from full-time employment to full-time leisure, may need to be revised.

The lowering of retirement ages has reduced the number of skilled and experienced workers in the labor force and will increase the burdens on our retirement income programs. Further, earnings can be used as a supplement to retirement income to help reduce the burdens caused by inflation.

The Commission wishes to encourage more reliance on earnings as an alternative to a greater expansion of retirement income programs and as a supplement to retirement income benefits. While affirming the right of every American to normal retirement at a stipulated age, the Commission feels that public employment as well as pension policies should be coordinated to provide greater employment incentives and opportunities for older people.

The Commission believes that the social security retirement test is a significant work disincentive. The Commission recognizes that the earnings test acts to restrict work effort and many beneficiaries who do work restrict earnings below the level at which benefits are reduced. The Commission recommends that the retirement test be eliminated in conjunction with its tax policy recommendation on social security benefits. The Commission believes that under this proposal both the adequacy and equity of social security would be improved. Low-income people would be encouraged to work and high-income people would have all of their benefits subject to a high tax rate.

In the past, social security has been a transfer of income from active workers to the retired or disabled workers and their families. The earnings test was originally intended to insure that social security dollars were not merely a transfer from one working population to another. However, the Commission has documented the need for incentives to increase work effort voluntarily and feels that by providing a tax deduction or credit to workers for their contributions and by including social security benefits in taxable income, a balance will be achieved.

The Commission believes that alternative work patterns will encourage older workers to remain in the work force. Such alternatives include part-time employment, flexible hours of work and phased retirement. The Commission recognizes that alternatives would benefit those who wish to remain in the same or similar job, and also those who have retired from one job and desire part-time work after retirement.

The Commission recommends that information on alternative work patterns, including the effect on pensions, should be encouraged and developed through research and demonstration projects in existing federal employment programs.

In order to provide additional alternatives to early retirement, the Commission recommends that job retraining and job redesign for older workers in private industry be encouraged. More often than not, the opportunity to participate in new learning experiences and retraining programs declines as a person approaches retirement. Yet there are a substantial number of workers between ages 55 and 64 who are interested in such training and for whom such training might facilitate extended work force participation.

Early involuntary retirement is now prohibited under the ADEA, but court cases indicate that such retirements are not uncommon. The Commission recommends that more employers be made aware of the ADEA through additional educational efforts and, if necessary, increased enforcement.

Disability

Disability benefits under the social security disability insurance program should be available through the age at which normal retirement benefits are available under social security. Therefore, in conjunction with the recommended changes in social security retirement ages, the age through which DI is available would move upward from 65 to 68 over the 12-year period beginning in the year 1990.

Further study at the federal level is needed to adequately address problems with disability programs. The Commission's work on disability should provide the groundwork for that study. Specifically, the merits of the following options should be the subject of further exploration and debate before specific recommendations are made to reform disability programs:

a) a universal disability program;

b) a ceiling and floor on replacement ratios for all disability benefits;

c) the use of rehabilitation; job redesign and so forth, to encourage labor force participation; and

d) an occupational disability program for older workers.

Strengthening Public Assistance

Supplemental Security Income

The Commission recommends federal SSI benefits be set at the poverty line level and the assets test be eliminated.

The Commission recognizes that those with irregular work and marital patterns are unlikely to accrue significant work related retirement income benefits. These individuals must rely on welfare and in-kind benefits.

The Commission believes that the current SSI assets test is undesirable and recommends its elimination, thereby reducing administrative burdens as well as intrusions on individual recipients. The Commission believes that in the vast majority of cases, need can be assessed through income tests alone.

Secondly, the Commission recommends that federal SSI benefits be increased to the poverty level to ensure a minimally adequate level of income to those unable to work.

Federal welfare expenditures would be reduced substantially if its recommendations in other areas are enacted. The Commission views the use of public assistance as only an interim solution for reducing poverty among the elderly.

Inflation and Retirement Income

The Bureau of Labor Statistics should develop a separate cost-of-living index for the retired.

The greatest emphasis should be placed on expanding pension coverage rather than providing full inflation protection to some at this time. Therefore, automatic inflation adjustments for employee pensions should be encouraged through tax policy but should not be required at this time.

Retirement benefits from federal pension plans should be adjusted for inflation once, rather than twice, a year.

Until a new index is developed for the retired, federal pensions should be adjusted on the basis of average federal wage increases or increases in the CPI, whichever is lower.

Changing economic conditions leave many workers vulnerable to even moderate rates of inflation. Social security, federal employee, and military retirement benefits are indexed to changes in prices through the CPI. Private sector and state and local pensions are not as well protected.

The Commission endorses the concept of adjusting social security retirement benefits to changes in prices, but questions whether the CPI accurately reflects the consumption patterns of the retired population. The Commission, therefore, recommends that the Bureau of Labor Statistic be directed to establish a separate cost-of-living index for the retired.

The Commission encourages private and state and local pension plans to provide some form of inflation protection for retirees. The Commission believes that employees should be given the opportunity of taking reduced benefits initially with subsequent cost-of-living increases. In addition, the various tax incentives that are called for in this report should encourage employers and individuals to provide for greater inflation protection on a voluntary basis.

Federal retirement plans contain cost-of-living provisions that far exceed those in private and state and local pension plans. The twice-a-year CPI adjustments should be reduced to once-a-year immediately. In addition, until a new consumer price index is developed for the retired, federal pensions should be adjusted by the lesser of the average federal wage increase or the CPI.

The Commission concludes that social security benefits, once received, should continue to be fully adjusted to increases in prices. Proposals to partially index post-retirement benefits are rejected on the grounds that those who rely exclusively on social security should not experience a drop in their purchasing power. Adjusting benefits by wage increases rather than by price increases is rejected because of the uncertainty in the future of the relationship between price and wage increases.

The Commission also rejects proposals to price index the earnings record in the benefit formula.

Additional views by Commissioner Lyons.

Administration

The Commission recommends consoli-

dation of the administration of all federal retirement systems; consolidating ERISA administrative functions in one entity; an interdepartmental task force to coordinate executive branch programs dealing with retirement income, including federal plans; and new committees on Retirement Income Security, one in the House and one in the Senate, which would consolidate jurisdiction over all types of retirement income programs, including federal programs.

The Commission has taken a comprehensive approach in its analysis of the problems of retirement income security programs and its evaluation of options for addressing those problems. It is apparent that a continuation of this comprehensive approach is the key to the effective implementation of policy recommendations and to responsive national policymaking in the area of retirement income security.

However, there is no single legislative or executive entity that can consider the retirement income security as a whole, or which can assess the impact of any single Commission recommendation on the overall system. The present array of retirement income programs developed separately as ad hoc solutions to particular needs and has not produced a coordinated system.

Responsibility for retirement income policy and the administration of retirement income programs is scattered among dozens of federal agencies and congressional committees. The Congress and the Executive Branch are mirror images of uncoordinated and fragmented jursidictions as they initiate and implement retirement income policies and programs.

The Commission feels that it is impossible to separate the development of retirement income policy from the administration of these programs. Coordination is essential in both areas. The institutional framework of federal retirement income policy and administration needs to be improved. The proliferation of cross-cutting institutional and committee jurisdictions has led to policy impasses in many instances.

The Commission supports the recent establishment of the Interagency Employee Benefits Council to coordinate executive branch policy with regard to private sector employee benefit plans. The Council is made up of representatives of the various departments and agencies with jurisdiction over private sector employee benefit plans. The Commission expresses hope that this Council will improve information sharing among the agencies and will enable those agencies to develop a coordinated research program.

The Commission concludes, however, that the Employee Benefits Council, alone, cannot resolve the many problems facing ERISA administration because of multiple jurisdictions. Therefore, the Commission recommends that ERISA administration be consolidated in one entity.

In the near-term, an interdepartmental task force that includes representatives of all the agencies that administer retirement income security programs, including federal programs, should be formed. This task force should be chaired by an Assistant to the President for Retirement Income Security and provided with a small staff that is independent of the operation of the agencies.

This task force should gather information, direct the process of policy development, develop recommendations on a coordinated basis for the executive branch and develop a plan for a more permanent structure to deal with retirement income security matters in the future.

Development of comprehensive retirement income legislation will also be impeded as long as jurisdiction over these issues remains fragmented. Therefore, the Commission also recommends the establishment of special committees on retirement income security in the House and in the Senate to oversee the development of comprehensive retirement income legislation.

Financing and Phasing In The Recommended Retirement Income Programs

The Commission feels that our nation's retirement income programs are dangerously dependent on pay-as-you-go systems, such as social security, supplemental security income, and in-kind benefit programs. Large tax supported programs have created an imbalance in the overall system which has serious policy implications for the future. It should also be noted that lack of pension plan coverage for many retirees and inadequate retirement savings for most older Americans place an enormous burden on these programs.

In the long run, the Commission's recommendations would lead to a reduction in expenditures by the social security system and a substantial increase in benefit payments from employee pension plans. Federal expenditures for tax-supported, in-kind benefit programs such as food stamps, Medicaid and housing assistance could also be expected to decline as the recommendations take full effect. Income from individual savings and work effort are also expected to increase as a result of recommendations contained in this report.

The transition to a balanced retirement income policy will not, however, be painless. Increased private sector expenditures by employers for retirement programs are called for. Commission research indicates that a substantial part of these costs will be shared by employees through slower increases in wages and other fringe benefits. In addition, the Commission has proposed a number of tax cuts for business and for individuals that should ease the transition to increased fund accumulation in employee pension programs and individual retirement savings programs. These cuts would have a revenue offset on the federal Treasury.

The transition to greater reliance on funded retirement income programs will take a number of years to be effective. In the interim, the nation's retired population will continue to be heavily dependent on expenditures by social security and other federal programs for support in their old age. Many in this group are elderly women who do not have employee pensions on their own, or survivor benefits from their former husbands' pensions. The Commission has, therefore, recommended that expenditures for the Supplemental Security Income program

TABLE 21

ILLUSTRATIVE TAX SAVINGS TO INDIVIDUALS AND BUSINESSES IN 1982 (In Billions of 1982 Dollars)[1]

Commission Proposal	Tax Savings
1. Social Security Tax Deduction of Contributions[2]	
a) OASDI	$20.5
b) HI	5.1
	$25.6
2. Tax Incentives[3]	
(a) Tax Deductible Employee Contributions	$ 6
(b) Raise IRA and Keogh limits to Corporate Plan level	$ 4
3. Minimum Universal Pension System	
(a) Tax Deductible Employer Contributions	$ 1.7
(b) Extra Tax Credits to Business	$ 2.7
4. Move 1985 Social Security Payroll Tax Increase	-9.9
Net Tax Savings to Individuals and Businesses	$30.1

[1] These figures are intended to illustrate the probable impact of Commission recommendations. The exact values of these estimates are highly dependent on the details and the implementation of the specific proposals adopted.

[2] These figures include the effect of moving the 1985 scheduled OASDI tax increases to 1982. Without this move, the figures would be $19.4 billion for OASDI and $5.0 billion for HI. Inclusions of the Railroad Retirement System in these estimates would increase the figures by $0.7 billion in 1982.

[3] Assumes current utlization rates for first year of program.

Sources: Special Tabulations for the Commission by U.S. Department of the Treasury, 1980; Special Tabulations for the Commission by Office of the Actuary, Social Security Administration, 1981; Estimates by President's Commission on Pension Policy.

be increased for those without significant work histories and that expenditures for the Social Security Special Minimum Benefit be increased for long-service low-wage workers. While these program increases will reduce expenditures for some in-kind benefit programs, such as food stamps, the overall effect will be to increase short-run federal expenditures for the elderly. For this reason, policymakers might consider phasing in these program increases over several years. As the minimum universal pension system takes effect, federal expenditures for these programs should decline.

Transition to the balanced program that the Commission recommends should be financed so as to mitigate the impact on employers and employees in the first several years. For this reason, the Commission suggests a package of tax deductions and tax credits for employers and employees beginning in 1982.

The short-term financial crisis facing the social security trust funds cannot, however, be ignored. The Commission has therefore recommended that the scheduled tax rate increases be accelerated to resolve this problem.

Table 21 shows the estimated tax savings to individuals and businesses that would result from the Commission's proposals if they were enacted in 1982. Included in the table is the effect of moving the scheduled 1985 social security tax increase to January 1, 1982. The table shows that businesses and individuals would realize a net tax savings of an estimated $30.1 billion in 1982.

At a time when both the administration and Congress are seeking ways to provide tax relief, the Commission hopes that these proposals will be given serious consideration. The Commission is proposing a number of tax reductions for individuals and businesses that are specifically tied to the programs to increase personal savings. By reducing business and personal taxes and increasing savings, the Commission's program offers the possibility of relieving some of the inflationary pressures that exist in the economy.

This report also calls for changes in federal expenditures for retirement income programs to reduce excesses in some pension programs and to increase benefits to some groups that have remained outside of pension programs to date.

Table 22 shows the net effect on federal general revenue expenditures of these proposals. The only new expense that the Commission recommends is an increase in SSI benefit levels to the poverty line. Table 22 shows the first-year costs of this proposal, assuming a three-year phase-in of the increases. The table also shows a decrease in federal food stamp payments due to the increased direct income to SSI recipients.

The major expenditure decreases shown in the table are in the federal retirement programs. Total federal pension program costs in 1982 are estimated to decrease by $3.4 billion. This cost decrease more than offsets the first-year program costs of increasing SSI benefits. After 1982, another Commission proposal, raising federal pension normal retirement ages, will begin to decrease program costs even further. While this proposal will have a significant impact on reducing long-term costs, it will not significantly decrease program costs for a number of years.

Table 23 shows the estimated costs to private sector employers and employees of a three-year phase-in of the Minimum Universal Pension System.

As the table shows, most of the program costs in the initial years are absorb-

TABLE 22

NEW FEDERAL BUDGET EXPENDITURES (REDUCTIONS) RESULTING FROM COMMISSION'S PROPOSALS ESTIMATED 1982 (BILLION OF 1982 DOLLARS)[1]

1.	Increases to Supplemental Security Income[2]	$2.6
2.	Decreases Due to Once-A-Year COLA Adjustments, Federal Pensions[3]	(1.0)
3.	Decreases Due to Lesser of Salary or CPI COLA, Federal Pensions[3]	(1.2)
4.	Decreases in Federal Food Stamp Payments	(0.1)
	Increased Expenditures	$ 0.3

[1] These figures are intended to illustrate the probable impact of Commission recommendations. The exact values of these estimates are highly dependent on the details and the implementation of the specific proposals adopted.

[2] Assumes three year phase-in of increases.

[3] Including Military.

Sources: Office of Research and Statistics, Social Security Administration; *Reducing the Federal Budget: Strategies and Examples*, Congressional Budget Office, February, 1980, Estimates by President's Commission on Pension Policy.

ed by the regular tax deductions for employer contributions to pension plans and the special MUPS business tax credit. After the three-year phase-in, employers can be assumed to pass on some of the costs of the program to their employees in the form of lower wage and fringe benefit increases.

Table 24 shows the impact of the Commission's various social security proposals in the long-term actuarial deficit in the system. Raising the social security retirement ages, implementing universal coverage and moving the 1985 scheduled tax rate to 1982 all reduce the deficit. Introducing earnings sharing at divorce and increasing the special minimum benefit lead to small increases in program costs. Opinions vary on whether removing the earnings test will increase program costs. Therefore, a range of cost increases is provided in the table. In total, the Commission's proposals appear to either eliminate the long-term actuarial deficit or at least reduce it to a manageable size.

TABLE 23

ESTIMATED COSTS FOR PRIVATE SECTOR EMPLOYERS OF COMMISSION'S MINIMUM UNIVERSAL PENSION SYSTEM (MUPS) PROPOSAL (IN NOMINAL $ BILLIONS)[1]

Year MUPS Contribution Requirements by Size of Establishment	Current Policy Costs	Added Costs	Business Tax Savings[2]	Net Cost Increase
(Expressed In 1982 Dollars)				
Less than 100 employees	$21.1	$3.2	$2.5	$0.7
100-500 employees	13.4	1.1	0.7	0.4
500 or more employees	22.3	1.0	0.5	0.5
Self-employed workers	2.1	1.0	0.7	0.3
Total	$58.9	$6.3	$4.4	$1.9
(Expressed In 1983 Dollars)				
Less than 100 employees	$23.0	$6.3	$4.1	$2.2
100-500 employees	14.6	2.0	1.2	0.8
500 or more employees	24.3	1.7	0.8	0.9
Self-employed workers	2.3	2.2	1.3	0.9
Total	$64.1	$12.2	$7.4	$4.8
(Expressed In 1984 Dollars)				
Less than 100 emloyees	$24.7	$9.5	$5.7	$3.8
100-500 employees	15.7	2.9	1.7	1.2
500 or more employees	26.2	2.6	1.2	1.4
Self-employed workers	2.5	3.6	1.9	1.7
Total	$69.1	$18.6	$10.5	$8.1

[1] All private and public employers must offer a retirement plan with participation standards no stricter than age 25, one year of service, and 1,000 hours of work annually and full and immediate vesting. These estimates assume a phase-in of MUPS requiring a one percent of earnings contribution by employers in 1982, a two percent contribution in 1983 and a three percent contribution in 1984. The Commission's Special MUPS Business Tax Credit is assumed to apply to the first 3% of payroll contributions to qualified pension plans.

[2] These tax savings estimates have two components. Employees earning below $100,000 who currently contribute to a qualified pension plan are assumed to receive the special MUPS Business Tax Credit for the first 3 percent of payroll contribution. All new contributions by employers due to MUPS are subject to the higher of the tax credit or normal tax deduction.

Sources: ICF, Inc., estimates for President's Commission Pension Policy; Estimates by President's Commission on Pension Policy.

TABLE 24

ILLUSTRATIVE IMPACT OF COMMISSION PROPOSALS ON LONG-TERM SOCIAL SECURITY DEFICIT (EXPRESSED AS A % OF PAYROLL)[1]

1. Current Long-term Actuarial Balance	−1.58%[2]
2. Raise Retirement Age (65-68)	+1.20%
3. Universal Coverage (Windfalls eliminated)	+ .53%
4. Move 1985 Tax Schedule to 1982	+ .02%
5. Earnings Sharing at Divorce with Inheritance	− .01%
6. Inheritance	− .18%
7. Increase Social Security Special Minimum Benefit	− .1 %
8. Remove Earnings Test	− .16%[3]
9. LONG-TERM ACTUARIAL BALANCE	−0.24%

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[1] These estimates are intended to illustrate the probable impact of Commission recommendations. The exact values of these estimates are highly dependent on the details and the implementation of the specific proposals adopted. Estimates for items 2 through 8 show the estimated impact of each proposal individually with respect to current law. Item 9 shows the estimated impact if all of the proposals were adopted, including their interactive effects.

[2] Present law expenditures and tax rates are based on Office of Management and Budget mid-session review assumptions lended into the intermediate assumptions of the 1980 Social Security Trustees Reports, modified to include the effects of Public Law 96-403, Public Law 96-473 and Public Law 96-499 and to reflect several minor changes in the short range period.

[3] This estimate is highly sensitive to assumptions about increased labor force participation of older workers due to this and other proposals. Also, this proposal is highly interactive with the others. If items 2 through 7 were adopted, the additional cost to the trust funds of removing the earnings test would drop to .09 percent of payroll. Additional revenue to the Treasury due to this and other social security tax proposals are not included in this estimate.

Source: Special tabulations for the President's Commission on Pension Policy by Office of the Actuary, Social Security Administration.

Additional Views

Commissioner Henry L. Bowden

The Social Security system is fast approaching a deficit situation in which the income will not be sufficient to meet the required payments. Therefore, one of two things must be done. Either taxes must be raised so as to provide adequate income or payments must be reduced so the current income levels will be adequate. To raise taxes is unthinkable but to reduce the participants is not only feasible but altogether possible.

(a) As initially conceived, the Social Security system was designed as an insurance system. It insured against an inadequate income at the time of retirement. If you have an adequate income at time of retirement you have not suffered the loss against which you were insured. Thus, you should not receive Social Security payments. Affluent individuals who do not need Social Security payments are receiving such payments. I suggest that an arbitrary sum of, say, $50,000 be fixed and if a person from any source receives that much income (from work, from investments or pensions), then such person would not be entitled to receive Social Security payments.

(b) Argument is made that those now under the system were placed under it on a different understanding and are entitled to receive payments despite otherwise adequate income. If this is a valid argument, then amend the law to provide that all persons coming under the system in the future come with the new understanding as expressed in (a) above.

(c) More than three billion dollars annually is spent providing college scholarships for students whose parent or parents are deceased. No *needs test* is applied and, thus, if a person has an adequate income or property, he is provided with a scholarship in the same manner as one who is in dire need. This is not proper. A needs test should be applied or the program discontinued.

(d) The present earnings test should be modified. The test should be based on *income* and not on earnings. I suggest raising the age from 72 to 75, at which a person is entitled to receive benefits, regardless of income, with the added provision that prior to age 75 the "earnings test" be changed from an earnings test to an "income test" so that if a person receives in excess of the maximum income from any source he will not be entitled to receive Social Security payments.

I realize that I speak a much more conservative approach than most of the others on the Commission but the nation is in a serious dilemma and the time has come for us to be practical. Something has got to give. Someone has got to give up payments which he does not need in order that those who do have need may be adequately paid.

I also concur with the views expressed by Commissioner William Greenough.

Commissioner John Bragg

My decision to support the Minimum Universal Pension System (MUPS) proposal was not easy. My own personal philosophy is that compulsory government programs should only be utilized as a last resort. However, I am very concerned about the continuing dependency of large segments of our elderly population on pay-as-you-go tax-supported programs, such as social security, food stamps, and other public assistance programs. I have concluded that a program like the Minimum Universal Pension System (MUPS) adopted by this Commission may be the only way to significantly reduce this dependency.

I also find the MUPS proposal attractive because of its proposed application to *all* workers, both public and private. We have made a number of proposals in this report to equalize the treatment of public and private sector workers by our retirement income programs. Public sector workers share the same problems of vesting and portability that their private sector counterparts experience.

The MUPS proposal is a good first step toward developing a completely portable pension system for all government workers from city hall to the Capitol in Wash-

ington. Consistent treatment, regardless of the branch of public service, is a goal that we should try to achieve.

Commissioner Lisle Carter

I cannot support the Commission's recommendation to raise the social security retirement age from 65 to 68 phased in over 12 years beginning in 1990. While such an increase may be warranted at a later date, an increase in the retirement age in just 9 years will have unequal impact on different economic and demographic groups in our society and no realistic alternatives have been proposed to address the needs of those most affected.

The greatest impact of an increase in the retirement age will be on lower income workers. These people tend to rely primarily on social security to provide retirement income and are most likely to be occupationally disabled, in poorer health, generally, and to have lower life expectancies. Furthermore, these people are most likely to have entered the workforce at younger ages so that by age 65, they have already spent over 45 years in the labor force.

The Commission's report documents that black workers, in particular, retired earlier, are less likely to be covered by private pensions, and they receive smaller benefits from social security and private pensions. These facts reflect their poorer health, early mortality, more chronic unemployment, and employment in jobs where private pension coverage is less likely to occur. Extention of the retirement age will mean for those workers an attenuation of their hardships in the absence of programs seriously addressed to relieving their hardships.

Higher income workers will be much less affected by an increase in the retirement age. These people are more likely to have other sources of retirement income which enable them to retire at earlier ages, even without income from social security. People at higher income levels tend to have longer life expectancies, so they will be able to spend much longer periods of life in leisure. In addition, because higher income workers tend to have more education, they are apt to have postponed entrance into the labor force.

Furthermore, while I support the Commission's recommendations to increase the availability of unemployment insurance, job retraining and further study on occupational disability programs for older workers, these recommendations do not go far enough in eliminating the differential impact of a higher retirement age. Unemployment insurance, available only for a limited period of time, may not be sufficient for older workers in marginal occupations whose period of unemployment could be quite lengthy. While job retraining programs could help the unemployment problem, it would still force the lower income people to remain longer than high income people in the labor force. The Commission did not go far enough in recommending an occupational disability program for older workers. Such a program must be an essential part of any recommendation to raise the retirement age.

I also wish to make additional comments on the Commission's recommendation that the student benefit under OASDI should be re-examined and put on a more rational basis.

I have no objection to a study of this issue and, accordingly, do not oppose it. In fact, I am pleased that the Commission did not, as some suggest, recommend the deletion of the benefit. This program has undoubtedly made it possible for large numbers of men and women to pursue higher education who would not have otherwise been able to do so. It would be a great mistake to terminate the program without being sure that the benefit afforded the present and future participants are, in fact, available to them under other programs as is frequently alleged.

For the poor and low income, a major barrier to pursuing an education is often not the direct cost of the education, which can frequently be met through loan and grant programs, but the direct cost of giving up earned income to help support the family. Thus, the student benefit makes it possible for men and women in low income families to mitigate, in part, that significant cost. It is by no means certain that funds will be uniformly available from other sources to meet this important aspect of the need of these students. Short-term gains to the social security trust fund could well be long-term losses to an increased earnings base because present and prospective beneficiaries could not pursue their education and increase their earning power.

Commissioner William C. Greenough

I agree completely with the President's

Commission that all emphasis now should be on further development of funded, actuarially sound, capital-producing employer pension plans and private savings. I believe that this development should proceed in the private sector with tax and governmental encouragement. But I disagree with the recommendation of a government-mandated Minimum Universal Pension System.

In the 1930s over 90% of our people were poor, and dependent on relatives, charity or welfare. That ratio is now almost reversed. "In-kind" benefit income still further reduces poverty among the aged. Social Security is mainly responsible for this dramatic improvement, but employer pension plans, life and medical insurance and personal savings share the credit.

Through Social Security, the Federal government has already made major decisions for almost all American workers as to how much of their earnings they can use currently for themselves and their families, and how much will be transferred from them through Social Security taxes to people already retired. The recommendation of a Minimum Universal Pension System would madate, by Federal government action, additional shifting forward of life income from a person's working years to the retirement years. The time has come to let tens of millions of families and their employers decide that question.

Unfortunately the President's Commission continues to use a figure of only 45% of the private sector workforce actually participating in a pension plan, thereby showing a large "gap" of uncovered people. But the "gap" is largely young or short service or part timers or low paid workers in small establishments. Half of the non-covered workers are under age 25 or have less than one year of service. Twenty-nine percent are part time. Two thirds earn less than $10,000 a year. Seventy-nine percent are in firms with fewer than 100 employees.* I do not believe the case has been made for adding current financial burdens over and above Social Security coverage on employment toward the lower end of the economic scale.

The relevant figure to use is that nearly 70 percent of full-time American workers are already participating in private pension plans or will be when they reach age 25 and have one year of service. The majority of the remaining uncovered are part-time or low paid workers in smaller establishments for whom Social Security is the crucial coverage.

I commend the recommended design of MUPS: participation after age 25 and one year of service, full and immediate vesting after participation, an actuarially-sound defined contribution plan fully funded by employer contributions of 3 percent of earnings, not integrated with Social Security, and protection of retirement benefits through portability, with substitution of equivalent plans.

Instead of the Commission's recommendation of a Federally mandated Minimum Universal Pension System, I would favor continued voluntary effort to develop coverage through funded, private pension plans. I would seek ERISA simplification especially for smaller employers, a more precise targeting of the groups that need additional protection beyond Social Security, earlier vesting in present retirement systems, a slower phased-in vesting for new plans, and continued diversity among savings, thrift, and profit-sharing plans, defined contributions, and defined benefit retirement systems. I would add carefully targeted tax policy, including tax credits and incentives for lower paid employees and deferral of taxability of employee contributions to retirement systems.

The "Commission believes that the replacement of preretirement disposable income from all sources is a desirable retirement income goal." A pleasant goal to contemplate — yes; a realistic one — no. If accomplished, it would mean that a large number of people would live in retirement better than they ever had before except just prior to retirement. Fairness in our society means balancing fairness to young families at lower early earnings who are buying homes and educating their children while paying for Social Security, as well as fairness to the retired.

The Commission and staff did not attempt to address the complex and controversial question of "unisex" mortality tables, now pending in at least nine Federal courts. Incontrovertibly, women live longer on the average than men and pension plans are constructed on this actuarial fact. Pension plans have always been able to use the "either/or" approach, allowing for similarly situated men and

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*These data are from Chart 6 of this report.

women *either* equal contributions *or* equal periodic benefits at greater cost for women. Mandating a change to "unisex" would require the vast majority of pension plans to be amended. Defined contribution plans would have to raise single-life annuities for women beyond their actuarial value (the joint and survivor annuities are generally equal already). Surprising to most people, defined benefit plans base their joint-life options on actuarial values, and would have to *reduce* benefits under the options for women employees or *increase* them for men employees under "unisex."

Perhaps it was appropriate for the Commission not to consider this question since it is pending in so many Federal courts, several Federal administrative agencies, and various insurance departments, none of which have been able to come up with any answer as good as continuing to allow the either/or choice.

Commissioner Martha Griffiths

Minimum Universal Pension System

I would like to state that I support the Commission's recommendation on a Minimum Universal Pension System (MUPS). While I had reservations at first concerning the effect of a MUPS on small businesses, the Commission's plan to provide tax credits to these firms alleviates much of my concern.

Meanwhile, a MUPS would improve the adequacy of retirement income for the majority of older Americans and would particularly help retired women workers who now tend to have low pension coverage and, when they are covered, tend to lose entitlement to benefits due to interrupted attachment to the labor force.

I also support the plan proposed by the Commission — a 3 percent defined contribution plan. A defined contribution plan is most equitable because it permits workers to accrue significant retirement income credits throughout their working life, regardless of the age at which they work and whether they work continuously. Again, this is particularly important for women because they have irregular work patterns, often due to familial responsibilities.

Earnings Sharing

I strongly believe that the earnings sharing approach to social security is the most appropriate response to the various adequacy and equity concerns raised about women. The Commission's recommendations on sharing credits upon divorce and inheritance of earnings credits for widows and widowers are important first steps in this direction.

Unisex Mortality Tables

I believe the Commission overlooked a critical issue in its recommendations. The Commission report does not address the discrimination resulting from the use of sex-distinct mortality tables in determining pension plan benefits.

I believe this is a serious omission. The use of sex-distinct mortality tables in computing monthly benefit levels discriminates against women when used in defined contribution plans and generally discriminates against men when used in defined benefit plans. Two individuals can have equivalent work histories, yet receive different benefit levels in retirement.

Thus, I believe that the Commission should have recommended that unisex mortality tables be used in computing benefit amounts in all pension plans. I believe that unisex mortality tables would greatly enhance the equity within our retirement income system.

Commissioner John Lyons

Increase Retirement Ages:

Social Security. This Commission proposal would break faith with younger workers who would be the ones affected by the future increase in the age of eligibility and be required to pay larger social security contributions over their working lifetime. Instead, we should implement effective economic policies that enable people to work.

Federal, State and Local Government Plans. Most federal, state and local employees do not enjoy collective bargaining rights which cover pay and all fringe benefits. Therefore, this Commission recommendation would produce, in most cases, unilateral actions without the consent of the employees which would substantially diminish and downgrade their current retirement system.

Hazardous Occupations. While it has not occured as the result of conscious policy decisions, the hazardous duty/public safety retirement plans have a necessity and fairness developed beyond the traditional concept of "retirement."

The Commission should recognize the special circumstances of the expanded concept of "retirement" plans in this context. Therefore, it should have encouraged the formulation of specific policy by local governments along these lines.

Universal Social Security Coverage:

A most important part of the Commission recommendation states: "Social security should not replace any existing pension system for noncovered workers. Rather, an existing system should be modified to take into account benefits available under social security." While dissenting overall from the recommendation, I feel this statement deserves amplification to avoid misinterpretation of the Commission recommendation. The AFL-CIO passed a resolution on Universal Social Security Coverage which stated that any such plan would have to meet the following criteria:

> "The level of pension benefits now available to government workers and their beneficiaries is not reduced.
>
> No additional financial burden is imposed on public employees without a commensurate adjustment in benefits.
>
> The identity for government workers' retirement plans is not lost.
>
> The opportunity for those employees to improve their retirement systems in the future is not diminished."

If the general recommendation passed by the Commission leads to policies that meet these four criteria, I believe public workers will find universal social security coverage less objectionable.

Inflation Protection for Retirement Income:

Semi-annual cost-of-living increases are legitimate and desirable: The objective of inflation adjustments is to protect the buying power of the original annuity. Rather than recommending that federal workers be limited to once-a-year adjustments, the Commission should have recommended that social security be adjusted twice a year.

The recommendation to adjust federal pension on the basis of the lower of average federal wage increases or the Consumer Price Index places budgetary concern above sound retirement policy. The Commission decided that such an approach was inappropriate and unfair for social security. Is it any less unfair to federal retirees who have the same needs as other retirees?

Social Security Financing:

General Revenue. I regret no recommendation was made for general revenue financing for social security. The Commission's recommendation to use interfund borrowing and to speed up the 1985 scheduled increase is superior to many proposals now being urged on Congress to deal with the program's short-term financing problem. The United States is one of the few advanced industrial nations in the world in which the social security system is financed almost entirely from payroll taxes.

Tax Policy:

The Commission makes a number of recommendations for national tax policy relating to retirement. Of particular concern are those relating to the exclusion of employee contributions from taxable income and the inclusion of social security benefits in taxable income and to the more favorable tax treatment accorded savings for retirement. The majority recommendation may have merit, but I could support it only as part of or after achievement of genuine tax justice and overall tax reform eliminating the many loopholes now enjoyed by the wealthy and large corporations.

Mandatory Universal Pension System (MUPS):

Considering all approaches to cover private sector workers as a universal group, social security is the most feasible and fairest way. It can best provide for unmet retirement needs of those, predominantly low-wage workers, not now covered by private pensions. Benefits are kept up-to-date with rising wages during a worker's working life and increased automatically after retirement to reflect increases in the cost-of-living. Social security would also automatically provide past service credits. The MUPS proposal has no such features. However, as the prospects of dealing with the problem through the social security system are virtually nil, the MUPS proposal may be the next best alternative.

A complete statement of my views is available through my office.

Commissioner Harvey Kapnick

The need for a balanced and coordinated national retirement policy is critical. Such a policy must be fair to younger workers who have heavy financial needs and to those in or near retirement so that they can feel secure during their retirement years. Thus, changes should be planned at least 20 years in advance so that all citizens can plan for their individual retirement without undue interference from government or employers. Too often our tendency is to view retirement issues in the context of our present society and thus adopt programs for correcting current concerns, while most retirement issues should be viewed in the context of a society 20 to 50 years in the future. When viewed within such a time frame, much can be done to reduce what are usually considered uncontrollable government expenditures.

The social security system, which was a bold and radical new approach to the retirement needs of the older generation in 1935, has served our nation well during the past 50 years. Now, we must stop the continuous escalating cost of this program or it will have some unplanned and severe economic as well as socio political results for us as a nation. For example, today three workers support one retiree under social security; after the turn of the century it may take as few as 1.4 workers to support each retiree under social security. The critical issue is: Will the workers at that time accept such cost?

Further, substantial future deficits are predicted which could further increase the cost of this program and our record of unfavorable financial surprises is well documented.

Today, certain groups propose a further expansion of social security benefits, and I expect that this pressure will continue so long as those retirees in the lowest income levels continue to be in need. Social security is an unfunded transfer payment program supported by federally-mandated taxes. The political, social, and economic problems inherited in the escalating cost of this program must be of significant concern to us as a nation. We must also be concerned about the high costs of the largely unfunded tax-supported federal retirement programs.

The development of the employer-based pension system has been phenomenal during the past forty years. Presently, companies who have pension plans pay an average of about 7 percent of payroll into pension funds. These funds, along with public employee pension funds, have accumulated over $650 billion in assets and are a major factor in our national capital formation.

Commission research indicates that under current policies about 45 percent of family units retiring around the year 2020 will receive incomes below the Bureau of Labor Statistics intermediate budget standard for retirees. The 3 percent MUPS proposal adopted by the Commission would reduce this number to under 25 percent. The Commission's tax incentives for retirement savings will reduce this number even further. A more generous plan, one close to the current 7 percent of payroll average for private firms, would nearly eliminate the numbers of retirees below this standard.

Depending on various assumptions used, approximately 50 percent of employees in the private sector are covered by private pension programs. The remainder, or the other 50 percent, are essentially in small business and major increases in the number of employees covered will probably not be realized for the various reasons cited in this report. Further, since these uncovered employees tend to be among the lower paid, their retirement needs are the major factor in the escalating social security cost for everyone.

Mandating that all private sector employees be covered with a minimum (3 percent of payroll) pension program addresses the specific problem of providing additional retirement income for those who are in greatest need. The accumulated funds from such a program will also improve this nation's capital formation.

The argument that mandating such a program increases government influence over our individual lives is of concern. Since I have opposed increasing government regulation for several decades, this issue is troublesome to me. However, when the alternative of continuously escalating social security costs to cover these groups is considered, the issue must be reviewed as follows: Do we prefer the growing bureaucracy and control over our lives that social security will have forever with the ultimate socio political economic problem? Or, do we want a bold new approach to solving our retirement income needs?

In my opinion, the Commission should have recommended that in the year 2000

(with full phase-in by 2020) a needs test should be applied to social security. Thus, those with adequate income or adequate wealth would no longer receive such transfer payments. I agree that the Commission's recommendation to include social security benefits in taxable income achieves part of this goal. I believe, however, that this should be the first step toward a transition to a fully implemented needs-tested program. The issue of a needs test should be addressed directly and forthrightly as part of a national, coordinated retirement income policy. With a mandated private pension system, fully matured by that time, we could have the best retirement program in the world and demonstrate what private enterprise can achieve in providing for our retirement income needs. Finally, the taxes now spent on social security could be reduced substantially, which would reduce future socio political problems. Then social security, instead of being the primary pension program could be transformed into a program for providing a pension of last resort. This, in my opinion, would be the appropriate role for this government program in the 21st century.

The People Speak *about* Pensions

Photos by
Bill Burke

The People Speak

"I am part of all that I have seen."
—Tenneyson

Through a series of more than 30 public hearings in Washington and around the country the President's Commission on Pension Policy heard from hundreds of individual witnesses, aging organizations, private businesses, labor unions, academics and professional associations.

H.L. Mencken once said that there is a solution to every problem which is neat, simple and wrong. Generally, the witnesses who appeared before the Commission during its two year lifespan acknowledged the complex and complicated problems associated with our nation's retirement income programs. The solutions that the public witnesses proposed to the Commission played a major role in the recommendations of the final report.

A recurring theme throughout the Commission's public hearings focused on the country's two-class system of retirement income. However, once the problem had been identified by Commission witnesses, the testimony became very diverse.

This special section of the report draws from the testimony of about two dozen witnesses. Their perceptions and their views concerning the country's retirement income system are representative of many of the other witnesses who appeared before the Commission.

(Left to Right) C. Peter McColough, Chairman, President's Commission on Pension Policy and Dr. Thomas C. Woodruff, Executive Director, President's Commission on Pension Policy.

William M. Agee
Chief Executive Officer
Bendix Corporation

Circumstances have changed drastically over the past forty years while Society Security policies have not. The convergence of unfavorable demographic and economic trends, combined with increasingly generous benefits, have totally altered the impact of this system upon the economy. What was originally conceived as a modest social-insurance system supplementing private pensions has gradually been transformed into a massive income transfer system, dwarfing all other social programs.

Unfortunately, efforts to resolve the system's identity crisis have typically been carried out in politically charged forums where speed and voter appeal have taken precedence over longer-term strategies for substantive change. While not surprising, it is no less disconcerting to find that under such distracting circumstances, the attention of both policy makers and voters alike has been riveted on the wrong issue.

Public concern appears to heighten only when the level of unfunded liabilities associated with the Social Security program reaches record proportions. Then there ensues a surge of expedient measures designed to "cure" the system's financial problems by legislating away unfunded liabilities through additional tax increases. But these efforts amount to treating the symptom and not the disease. Until attention is directed toward the restructuring of actual benefit promises, relief from the symptom will be temporary at best. What is called for is nothing less than a complete reassessment of

benefits: who should receive them, through what entity, at what age, and to what extent.

A necessary condition for serious reform is a better public awareness of the Social Security system. It is seldom understood that this system is paid for largely by taxing the private sector. It is this same sector which must have adequate incentive to invest in new capital to create jobs, and to increase productivity so that growth can occur in a noninflationary economy. Higher growth rates are reflected in higher stock prices which, in turn, decrease unfunded liabilities by increasing the value of both private pension and Social Security assets. Granted, virtually 100% of Social Security assets are currently invested in government issued debt securities, but with the resurgence of a healthy stock market, higher return alternatives could be considered.

William M. Agee, Chief Executive Officer, Bendix Corporation.

Higher taxes only discourage growth by reducing the level of public and personal savings that could otherwise be used for capital investment. Since Social Security is financed on a pay-as-you-go basis, the dollars received each year are paid out almost immediately as benefits.

We are currently in the midst of a demographic revolution, which has, until recently, gone relatively unnoticed. People are living longer. They are working less and retiring earlier. Moreover, the declining birthrate is expected to substantially reduce the relative number of future Social Security taxpayers. And 25 or 30 years from now, the children of the huge post-World War II baby boom, the so-called "echo-boom," will start to swell the ranks of the retired. While the exact implications of these major demographic changes are not clear, it is evident that pension demands will increase, with a proportionately smaller labor force on hand to support growing requirements.

I recognize that slowing the growth of retirement benefits requires more political sacrifice, at least in the near term, from policy-makers who all too often appear to be more concerned with re-election than long-term structural reform. It is surely not the path of least resistance for it requires greater effort to educate the public, business leaders and government officials. It is the difficult way, but it is the right way. Indeed, it is the only way. I am more convinced than ever that a continuation of policies aimed at increasing taxes to fund ever-increasing liabilities will only intensify economic and social problems.

Procrastinating until the financial burden forces the breach of promises will only make the dislocation worse. At that point, young and old will be pitted against one another in a fearful battle to divide the remains of a shrinking economy. The damage to our public and private institutions, to our society, to our heritage and our history are almost unimaginable. It is entirely possible that such a confrontation would tear the fabric of our society as it has not been torn since the Civil War. Instead of region against region, it would be generation against generation, instead of brother against brother, it would be parent against child.

Alicia Munnell
Vice President and Economist
Federal Reserve Bank of Boston

I would like to limit my comments to the relative roles of two of three legs of the retirement income stool. These comments are a reaction to the mounting sentiment for moving some of the responsibility for retirement benefits from social security to private pensions. Proponents of such a shift of financial responsibility recommend the introduction of additional tax breaks to encourage employers to strengthen pension and

profit sharing plans for employees. They contend that increased reliance on private plans not only would reduce the payroll tax burden but also would increase saving and capital accumulation.

While a new emphasis on private plans may seem an appealing alternative to substantial increases in the payroll tax, the private pension system should not be viewed as a panacea since it is plagued with problems of its own. Private plans already enjoy substantial federal tax incentives—$12 billion annually in foregone receipts—yet they cover only half the private working population. Benefits are concentrated among highly paid people; low-wage workers receive almost no private pension benefits. Moreover, the private pension system is incapable of offsetting the impact of inflation or of protecting workers who change jobs frequently. Finally, it is not clear that the tax incentives are an efficient mechanism for increasing net saving. In my opinion both the positive effect of private pensions and the negative effect of social security on saving have been grossly exaggerated.

Despite costly tax concessions, only half to two-thirds of the private work force are covered by a private pension plan. Moreover, private plans cannot provide full protection even for covered workers. Employees who switch jobs before completing 10 years of employment with a company generally forfeit all rights to a pension from that employer. Even those who have become vested and leave after 10 years will see the value of their pension benefits eroded by inflation over their working lives. Finally, private pension plans are not contractually obligated to adjust benefits for cost-of-living increases after retirement.

The relative impacts of the private pension system and social security on saving and capital accumulation provide no justification for shifting responsibility for retirement benefits from the public to private sector. Moreover, substantial benefit protection would be forfeited by such a change. Social security provides universal coverage, permits individuals to continually accrue benefits as they move from one job to another, and provides benefits which keep pace with inflation. While rising payroll taxes increase business costs and may therefore be considered inflationary, expansion of the private pension system can have exactly the same impact. If private pensions were to fulfill a greater role, a major restructuring of the system would be required in order to broaden coverage, to allow the transfer of credits for workers who change jobs, to create investment alternatives for private pension funds which would keep pace with inflation, and to insure that benefits are indexed for cost-of-living increases after retirement. A mere increase in the already substantial tax incentives received by private pension plans will not solve these structural problems.

(Left to Right) Alicia Munnel, Vice President and Economist, Federal Reserve Bank of Boston; A. Haeworth Robertson, Vice President, William M. Mercer, Inc.; Robert Paul, Vice Chairman, Martin Segal Company; and Karen Ferguson, Director, Pension Rights Center.

"The Social Security system alone is not yet providing adequate retirement income or this Commission probably would never have been created."

A. Haeworth Robertson, Vice President William M. Mercer, Inc.

My topic is the three-legged stool, and we talk about that frequently as if that were some entity that's been around a long time. There never has been a three-legged stool, there was not one in 1935. There wasn't really anything in 1935, I think. There wasn't a well-established, private pension system, there was not a Social Security system, there were not even adequate mechanisms for private saving, it would seem to me. So, we adopted Social Security, a few people talked about a three-legged stool, and then over the years, Social Security expanded, developed and grew from covering initially some 60 percent of the population to about 90 percent of all jobs today. I think it's probably a miracle that private saving and that private pension plans grew at all during their 45 years, because I don't think we gave as much impetus to those two legs of the three-legged stool as we gave to Social Security.

Whether we meet our retirement income needs from private savings, with an emphasis on private savings and emphasis on private pensions or an emphasis on a governmentally-sponsored plan, I think has side effects on the whole environment, our whole social and economic environment in which we're going to operate in the future. And, that's why I tried to make the point that we shouldn't simply look and see what happened the last 45 years and say, well, Social Security really did well and the others didn't do so hot, so maybe we better expand Social Security.

I think we could find out what the circumstances were, what kind of environment we provided and if we believe that an individual should still have freedom of choice, if we believe that private savings should play an important role in providing for a person's retirement, if we believe that private pension plans should play an important role, then we should create an environment in which those mechanisms can permit the development of these two legs of the stool.

As I say, it's largely philosophical. I just personally feel that the mechanisms we use to provide for our retirement are not only a reflection of the kind of social and economic environment in which we live, but that they are and will be a determinant of the kind of social and economic environment in which we live.

The most important subject this Commission is considering is in determining what kind of mix we should have, not from a practical standpoint or what's easy to do, but what kind of mix we should have so that we have the social and economic environment in the future that we want.

Robert D. Paul Vice Chairman Martin E. Segal Company

I'm not trying to delimit Social Security. I want to simply talk about what ought to be done at the margin—that is, what ought to be done with respect to the people and whether it can be done without cutting benefits. I'm not advocating any cut back in Social Security. I certainly don't want to do that. The solutions of the '30s ought not to be the solutions of the '80s. I think we have to open our eyes to what is in front of us.

The Social Security system alone is not yet providing adequate retirement income or this Commission probably would never have been created. If it were, then the issue would be how to revitalize the Social Security system in terms of its financing to be certain that it continues to meet the retirement income needs of the country. If it had been meeting those needs, there may never have been private pensions.

It seems to me, the choice is clear. Either we do something about the people who do not have private pensions. (they, speaking generally, are the lower paid people in the most mobile industries and the people in the most marginal industries) by expanding Social Security to provide adequate retirement income for them, or we do it through the private sector.

Does Social Security provide adequate retirement income? That is the test, it seems to me. And, this Commission needs to ask itself, what are the replacement income goals of the country. And having found those goals in terms of percentage replacement ratios, for example, at varying levels of earnings in retirement, it ought to then ask itself the serious question, who can do this the best? Through private sector expansion or through public sector expansion?

I have advocated now for some years that we adopt the notion of a mandated

minimum layer of private pensions which would create more capital for our country. I do not follow the reasoning that private pensions will not add to savings. I also do not follow the reasoning that Social Security would necessarily cut back savings. But, I think the expansion of private pensions would add to the capital stock of our country at a time when savings, in the form of capital expansion, is at least in accordance with most views of economists and an important problem for our country.

I'm urging that we consider as a country, the establishment of a mandatory minimum layer of pensions that would not penalize the corporations and the union management plans that have already been established, because that minimum layer that would be carved out, could be carved out of the existing plan and made an integral part of it.

It would provide complete portability and complete vesting. I do not favor any cut back in Social Security. But at the margin the Commission should consider future increases in retirement income through the private sector on a mandated basis for a small layer of the pension, which together with the current Social Security system, would provide a minimum level of income for the lower paid worker.

I think it would add to the capital stock of the country, and it would get rid of some of the intergenerational transfer problems that will be created by our demographic imbalance over the next forty years and create a better sense of equity between generations than the Social Security system will now do.

Karen Ferguson
Director
Pension Rights Center

I'm here today as Director of the Pension Rights Center, and I think it bears on my comments today to tell you a little bit about the Center.

We were started three and one-half years ago to protect and promote the rights of pension plan participants and beneficiaries. When we started, we started with a very specific objective: to protect the rights created by ERISA, The Employee Retirement Income Security Act of 1974, and to educate the public about ERISA. When we started in 1976, we generally thought that we would self destruct in a year or two. Instead, what happened, as we began to hear from individuals who were not protected by the system, we began to realize that there was a very important role to be filled in trying to meet the needs of those individuals. And, I am here today representing those individuals.

Our group would like to help the Commission. We'd like to help you understand the problems of the workers who are not getting adequate pensions.

I would like to focus mostly on the private pension system and to give you a perspective of workers on that system. I'm going to limit my remarks to define benefit plans that provide a specified benefit at retirement. That's what most people think of when they talk about pensions, and certainly those are the plans that cover most workers. Let me say at the outset that from the perspective of workers, it certainly can be said that there's no better arrangement than a defined benefit plan, if the workers are getting the benefit.

Defined benefit plans provide credit for years worked before the plan went into effect, they can provide a benefit pegged at a final earnings or a career earnings, average earnings, salary or wages—they are terrific, if you get a benefit. Unfortunately, most Americans do not get a benefit from these plans. Workers that we have talked to characterized these plans in a variety of ways. They use a lot of different words. They say they're unfair, they say they're undemocratic, they say they're un-American, and they say some things I won't mention here.

They think it's wrong that some groups of employees because of their work pattern, essentially pay for the pensions of others. The most obvious example of this is women who follow the typical work pattern of married women. This is because of the ERISA break-in-service rules and the exclusion of early years of service. They end up largely paying the pensions of working men.

They think that it's wrong the income that they and the Federal Government consider to be joint, or family income when it is earned, becomes the income of only the worker when he dies, or in some cases, when there's a divorce.

Even the people lucky enough to get benefits find the system to be unacceptable. They think it's wrong that workers with vested rights who leave a plan early in their career should have their benefits frozen with the result that these benefits

are inevitably rendered valueless by inflation. They think it's wrong that employees are not allowed to supplement their inadequate pension. They think that it's wrong that plans should be permitted to backload their plans in such a way as to provide disproportionately larger benefits for people who usually, totally as a matter of chance, are lucky enough to stay in one job or with one union for a long, long period of time.

They think it's wrong that the benefits of retirees who happened to have worked in industry-wide plans should be placed in jeopardy simply to get by a decline in an industry. They think it's wrong that their employers should be permitted to subtract their Social Security benefits from their pensions, leaving them, if they are lower paid, with little or no pension benefits.

Those workers that take a broader view, and there are many that do, think it's wrong that responding to the demands of the economy for a mobile work force should imperil their chance of a decent retirement. And some have even noted to the extent to which pension considerations have made it impossible for them to exercise their federal right freely to choose representation by a union.

In other words, defined benefit plans do not make sense from the point of view of the people they were set up to benefit.

Michael Hanrahan, Compensation Manager, Hart, Schaftner and Marx.

Michael Hanrahan
Compensation Manager
Hart, Schaftner and Marx

I support the introduction of a mandatory, universal private pension system. My support is rooted in a conviction that it provides the only realistic means of avoiding what would surely become a problem of unmanageable proportions, as half the private sector working population continues to approach retirement without any source of income other than Social Security.

Unless we now face up to our obligations and begin the task of funding retirement benefits for all the working population, we will present our children and grandchildren with a crushing financial burden and an inescapable reduction in their standards of living as they strive to cope with the consequences of our willful neglect.

Is this the future we want for our children? If not, we have no choice but to ensure that future retirees have more than Social Security as a source of income replacement.

There are those opposed to the concept of mandatory coverage out of fear that the cost will be prohibitive.

To them I say the cost will be far greater if we continue to seek a solution to the problem of inadequate retirement income through expansion of the already dangerously over-extended Social Security system.

Others are opposed to the same concept on the grounds it places another cumbersome restriction on the free enterprise system. To them I say the very system they so jealously guard will wither and die as its life blood, capital, is drained away in a vain attempt to meet the income replacement demands of a rapidly expanding elderly population.

To provide future generations with a reasonable chance of success in life, we must avoid passing on to them the sorry, shabby legacy of our own imprudence and selfishness.

If the objective is the provision of a minimum supplementary pension, then the only approach that will guarantee the

achievement of this goal is a mandatory system.

Additional tax incentives will not do the job, as not every employer will have the same motivation to avail himself of such incentives.

A mandatory private system is the most feasible solution. However, it is absolutely essential that the role of the private system as one of three or four sources of income replacement be carefully spelled out.

Van P. Smith
U.S. Chamber of Commerce

We are quite alarmed by this far reaching suggestion for enactment of a federal law to require every employer, whether he is able or not, to maintain a baseline pension program with early vesting and full portability of benefits for all of their employees, whether they want such benefit or not. We believe it would be a mistake for this Commission to endorse a mandatory minimum pension system in America.

A mandatory private system will become our second tier Social Security. Government has a record poor in administration but impressive in assuming detailed regulatory control in any mandatory program.

Admittedly, our nation does indeed face a continuing problem of how to meet the needs of our elderly. Demographic, employment and retirement patterns suggest that these problems will become acute early in the next century when the elderly, who then constitute over 20 percent of our population, may require over 60 percent of our federal government outlays and an unknown amount of private funds in addition.

Solutions to this crisis are not easily agreed upon. However, there is a broad consensus that we cannot afford to postpone these decisions beyond this decade. For each year we delay, we have one less year to prepare for the challenge and equally important, the greater the cost will be in the remaining years.

I would venture from my experience in the small business area that for you to walk into the shop of a hard-working, over-regulated, American small businessman today and impose a new mandatory, second tier Social Security will bring a public outcry that will truly amaze all of us and the political leaders for whom you now labor.

No matter which specific mandatory pension program is adopted, it will exact a cost from our economy. That cost, however, will not be uniform in its impact. For some, particularly small labor intensive firms, it will be devastating. For others, those with existing pensions, there may be little or no cost impact.

Van P. Smith, U.S. Chamber of Commerce.

The Commission says it opposes any further expansion of Social Security, a conclusion with which we find ourselves in agreement.

We further believe that retirees whose retirement incomes do not meet poverty levels should have their incomes supplemented by state designed aged assistance programs. Currently, the federal SSI program reduces SSI benefits one dollar for every dollar of retirement income.

We also think that we must expand the role of employer-provided and deferred compensation plans. Unlike the Commission's idea for a government mandated system that would force all employers, whether they are able or not, to provide such benefits, we see education, marketing and tax incentives for private pensions plus reduced paperwork and compliance costs as the proper approach for encouraging expanding retirement income through employer provided benefit programs.

Finally, we strongly support efforts to stimulate individual retirement savings through greater tax incentives that are easy to understand and work with. We are particularly interested in seeing employee contributions to employer pensions receive improved tax favored treatment.

Ronnie J. Straw
Director of Development and Research
Communications Workers of America

Retirement income may be defined as income from Social Security, pensions, private savings and equity in securities and fixed assets. Only the first three sources of income are important to workers.

We have selected the above definition of retirement income as a convenience in presenting our analysis, and have no dispute with those observers who would consider either Social Security or asset equity as personal savings. Regardless of how the sources are classified, it is the total amount of money income available at retirement that is of primary concern.

Social Security should continue to play the central role in providing retirement income for society. Stronger emphasis should be placed on the social adequacy goal of the system, so that all workers with less than median earnings are guaranteed a retirement income equal to pre-retirement disposable income. At any event, a minimum benefit should not fall below the BLS intermediate retired couples budget.

Under current conditions, private pensions should play a role in providing future retirement income for workers with earnings above the median level. We support modifications to the current law to provide: One, full and immediate vesting for all service. Two, portability of pensions. Three, the opportunity for employees to take a more active role in their pension plan including a greater say in how contributions are invested.

And, four, revisions to ERISA funding requirements in recognition of the retired workers' need for cost-of-living adjustments.

We are convinced that personal savings will continue to play a limited role in providing retirement income for workers, especially during inflationary times.

Ronnie J. Straw, Director of Development and Research, Communications Workers of America.

Harrison Givens
ERISA Industry Committee
Senior Vice President
Equitable Life Assurance Society

The Commission has endorsed the present aggregate of means for providing retirement security—the famous three-legged stool of Social Security, private pensions and individual savings.

Further, in seeking to increase retirement income, the Commission has confirmed the historic rationale of Social Security as a minimum floor of protection rather than fully adequate benefits for everyone. It has warmly endorsed the value of private pensions, even considering making them mandatory. And it has advocated several measures that could add greatly to the prospect of an important role for individual savings.

As to the means for expanding present pension coverage, I will discuss individual savings first and private plans second.

As to individual savings, we greatly need a single, uniform rule by which every worker, regardless of the nature of his employer or employment or the presence or absence of particular employee benefits, can put aside from current earnings reasonable amounts for retirement security and defer federal income tax on those savings until they are drawn down in retirement.

It seems to us that as the elderly become a larger part of the population, the actively employed will become a smaller part of the population and so an increase in Social Security benefits that would have been possible for a low current tax increase when the active/retired ratio was higher will require a large and undigestible increase when the

active/retired ratio is lower.

It is just this adverse demographic trend that confronts the present Social Security program with a difficult funding problem. It will become gravely burdensome if not resolved some time in the 1980s.

Hence, we believe that the rising influence of the elderly population will be offset by a rising resistance from the actively employed to far higher Social Security taxes. Nor do we expect that such a large burden could be added acceptably to general tax revenues.

We are even more confident that a benefit "grab" will not occur if the Commission's tax policy proposals are adopted, because the significant expansion of retirement security produced by individual savings will serve importantly to progress toward the desirable goal of more adequate retirement income opportunity.

The proposal for universal private pension coverage that has drawn the Commission's interest is, in plain terms, for compulsory plan coverage. We oppose this proposal, not because it is the worst approach, but because it is not the best.

Specifically, we oppose compulsion for benefits beyond the concept of a minimum floor of protection.

We do not believe that the cost of the proposed employer contribution will generally remain with the employers. It will more likely be paid by the consumers in higher prices or by the employee in lower wages. And, regretably, there will be times when this additional cost forces businesses to be curtailed or abandoned; and here the employees affected not only gain no pensions but even lose their jobs.

Everett Allen
Association of Private Pension and Welfare Plans

We would like to endorse the general position of the Commission which reaffirms the current role of Social Security and which looks to the private pension system for solutions.

The alternative of expanding Social Security in our judgment is unwise. The system, we think, is already beset with major financial problems. Indeed, the system's financial integrity may very well rest either in the collection of additional revenues or in the curtailment of benefits in one way or another.

Harrison Givens, ERISA Industry Committee, Senior Vice President, Equitable Life Assurance.

Increasing Social Security benefits we think will only exacerbate these problems and cause a relatively diminishing base of taxpayers to assume an ever-increasing burden of transfer payments.

In general, we favor the use of a private system in furthering national goals and policy but we are opposed to any universal or mandatory system that requires employers to provide retirement benefits.

We support and urge the adoption of a national framework of laws and regulations that encourage rather than impede the voluntary development of the private system.

The Commission has also talked about the desirability of the full replacement of preretirement income yet there has not been sufficient discussion, we think, of what are the consumption patterns of people who have retired. How they differ from people who are in their active period of their career and whether or not in fact full replacement is necessary?

Things like completion of home mortgages, the fact that child rearing expenses are no longer, generally no longer, operative. These are the things that we think are important to look at.

We think also it is important that the Commission review carefully the reasons why there has been a slow down in growth of private plans. We all acknowledge that the growth has slowed down but there has not been a sufficient analysis of those reasons.

We think if those reasons are identified and the impediments resolved or minimized, that this, in fact, could

Everett Allen, Association of Private Pension and Welfare Plans.

encourage the voluntary growth which we think is desirable.

The vast majority of large employers do have private pension coverage.

The problem of lack of coverage seems rather clearly to be the smaller employers, those employing less than 100 employees.

Our preference would be to use a rifle shot approach in terms of identifying the characteristics of the organizations that do not have coverage and zeroing in with solutions that address those specific areas.

Daniel Halperin
Deputy Assistant Secretary (Tax Policy)
U.S. Department of the Treasury

I appreciate the opportunity to express the views of the Treasury Department and to indicate our concerns and views. The Commission points out that under certain types of arrangements, employee contributions are deductible, while in others they are not.

It indicates its belief and perhaps a desirability of deductions for employee contributions across the board and recommends an earning retirement income tax deferral or at least indicates that as a possible proposal in which all employees could contribute up to a certain percent of their income, in a sense on their own without participation in a qualified plan.

There is, of course, precedent for that in the availability of so-called "tax deferred annuities" for employees of public schools and tax exempt organizations.

We believe that the leverage of tax deferral should be used to encourage the employer to provide benefits for low and moderate income workers. We think that the lack of nondiscrimination rules in wage reduction plans does eliminate that socially desirable leverage.

We believe at least study should be carefully given to the question as to whether tax exempt organizations have had adequate incentive to establish and improve the retirement benefits of their rank and file workers as opposed to their higher paid executive personnel.

We are concerned, as we have been saying for a number of years, that more liberal employee contributions could tend to restructure the private pension system from a larger employer sponsored, noncontributory system to a system under which each individual decides how much he or she wishes to set aside for retirement.

We have serious concern that that kind of switch could lower the retirement security for lower paid workers and could, therefore, result in a net decrease in aggregate retirement savings.

Our concern arises from the fact that we believe that lower paid employees are

often subject to significant economic pressures which interfere with their ability to make savings for retirement.

They are less likely to save. Less likely to have other savings available to switch to special retirement plans or accounts. They are more interested in current compensation than saving for retirement.

In addition, they have of course, less to gain from the tax incentives if they are set up in the form of a deduction than somebody who is in a 50 or 60 percent bracket. Certainly the evidence we have on employee withdrawals from contributory plans or individual contributions to Individual Retirement Accounts confirms this view.

Deductibility must be arranged in a way that will assure savings for rank and file employees. It may well require nondiscrimination as a condition for deductibility by the higher paid. In other words, you might need to develop some scheme which says that higher paid employees cannot participate in retirement arrangements on a tax preferred basis unless there is significant participation by low paid employees.

Ewa Bielski
Chair
Citizens Commission on Pension Policy

I am Chair of the Citizens' Commission on Pension Policy. As you know we are here to represent the underrepresented voice of ordinary citizens who are looking to your Commission to solve the nation's pension problems.

Our starting point is our conviction that all Americans should be able to live comfortably when they are no longer able to work. Another way of saying this is that we think that all retirees should have an adequate income. What does this mean?

To begin with, we know what living comfortably does not mean. It does not mean reducing your living standards by seventy percent. It does not mean being tied to your house like a dog because you cannot afford a car. It does not mean grovelling for discounts, food stamps, reduced senior citizens bus fares, energy stamps, fifty cent lunches or other kinds of charity. It does not mean being forced to move from Detroit to Louisiana because that is the only place where you can make ends meet.

We also know that living comfortably means different things to different people. To the seventy year old judge who refused to retire because he cannot afford to live on his $25,000 a year pension it means something very different than to the man from Wisconsin who wrote us last week saying that now that he has moved to the country where he can hunt and fish, he is living very comfortably on just his Social Security payments. We also know that living comfortably for most people is somewhere in between those two.

Like the Commission we have not yet concluded what this means in dollars and cents. But we are beginning to find out. While your Commission is busy researching the data, our group is busy researching people.

Stanford Ross
Former Commissioner
Social Security Administration

One of the things that they were always very clear about in the 1930's was that Social Security was a program that was intended to expand. It was intended, in their minds right from the beginning, that it would require general revenues.

It was intended that you would get a disability program. It was intended that you would get a health insurance program. It was intended that benefit levels would be increased. It was an expansionary philosophy.

So, in some ways the real sea change, if you will, was going from a concept that individuals in the private sector would provide for the income security of individuals to one where the government after initially coming in to try to help out during the depression, would gradually expand its role and at some point I think, in my judgment, Social Security expanded to the point where it is now not only dominant but there is a great danger that it will force out other media by which people help themselves.

Despite the massive increases in payroll taxes legislated in 1977, the Social Security system is in jeopardy again in the early 1980s and nothing was done in 1977 to complete getting it in balance in the longer term. What that means is that the 1981 Congress, as the Congress did in 1977, will have as one of its first orders of business finding billions and billions of dollars to pay for social security benefits in the period between 1981 and 1985,

"Despite the massive increases in payroll taxes legislated in 1977, the Social Security system is in jeopardy again in the early 1980s."

much less addressing the longer term problem.

The short fall is very substantial but the problem mainly comes after the turn of the century and I think as all people who live in Washington are aware, one lives day-to-day and I am sure that the Congress will have to worry through the short term problems with greater intensity than the long term.

I personally believe that both should be dealt with at the same time. We have to get back to a more comprehensive view, the same way that the founders of social security did in the 1930s so that you put this thing on a basis where the American public can feel Social Security is fair, efficient and reliable.

James H. Schulz
Heller School
Brandeis University

In general, the economic situation of the elderly today is much better than most people characterize it as. First of all, the crucial component of income adequacy for the elderly is the pension income which they receive, from Social Security, private pensions and from the public employee pension systems. But with regard to pension income, clearly there is one income source that dominates over all others, and that is Social Security income. It now constitutes 40 percent of total income of the elderly population in the United States, and is the second source of income, 23 percent, coming from people who are still employed. Those are two basically very different groups of people: the Social Security income going mostly to people who are out of the labor force or with little labor force attachment, and then another group, many of which still have substantial labor force participation.

There is a very large variation in the incomes of the elderly. The people who are still in the labor force are often at the highest end of the income scale, and those out of the labor force, depending on which groups you look at—women, widows particularly—are at the very lowest end of the scale. We have reached the point where we can no longer generalize about the economic status of the elderly; we have to look at specific groups in the population.

We now have fairly reliable statistics which indicate that poverty as traditionally defined by the Social Security Administration's Poverty Index is rapidly disappearing among the elderly population. I would say now that what we should be talking about is the fact that most of the elderly have moved from the ranks of poverty or poor to the near poor.

It seems to me that up until now most of the discussion on the adequacy of the elderly income situation has tended to focus on poverty indexes or the older couples' budget. But increasingly what people are talking about is adequacy in relationship to preretirement earnings and, therefore, enter the concept of the pension replacement rate.

What I would point out is the dramatic difference between two groups of people. If you look at the total replacement rate—that is, Social Security plus private pension and/or government employee pension—the Social Security Administration found that dual recipients—that is, people receiving more than just Social Security—did have, in fact, replacement rates for combined pension benefits which were in the 60 percent replacement rate. However, if you look only at people receiving Social Security alone, you see that the replacement rates are much lower.

So my feeling, my reaction to the existing situation is that our private pension system, together with Social Security, as it is operating today, does a relatively good job in providing income replacement for those people who are covered. But those people who are not covered by a private pension still face a rather serious problem.

This conclusion is directly contradictory to the conclusion of other people who are arguing that because the uncovered population tends to be low earners and because the Social Security System is weighted in favor of low earners, then Social Security only people tend to have adequate benefits from Social Security only. All I can say is that, to the best of my knowledge, that the facts do not substantiate that conclusion.

While it is not my charge to make recommendations, I reject what I call the two radical options of mandating private pensions or abolishing private pensions and putting the entire responsibility of retirement on Social Security.

I also feel that the evidence very clearly shows that optional supplementation through devices like Individual Retirement Accounts have not worked

" . . . optional supplementation through devices like Individual Retirement Accounts have not worked very well in the past."

very well in the past, and it is my judgment they will not work very well in the future.

Hence, my feeling is that we should be thinking seriously of liberalizing Social Security benefits, not across the board, but thinking about ways to liberalize Social Security so that benefits will be targeted to those areas of the income spectrum where most of the noncovered population reside.

James Schulz, Heller School, Brandeis University.

U.S. Representative Patricia Schroeder

We are dealing with an incredibly complex, difficult topic that I have found no one politically is interested in until it impacts on them, and then they are terribly angry, particularly women: "Why didn't somebody tell me this? Why didn't that happen? Why didn't I know about the loophole?" and so forth. We just don't seem to be a nation of planners and a nation of people who are really interested in thinking about this, and just assume it is all going to fall into place.

If you are a wife in the foreign service or in the civil service or in the military service and you stay home and you happen to get a divorce, the pension goes with the spouse and you have just lost all credits to it.

We also have a tremendous problem with survivors' benefits. Currently they are optional. For the employee, there tends to be a disincentive for the employee to sign on to them because you reduce the annuity the employee is going to get, and most often you find that the survivor never knew whether or not the box was checked until the survivor is a survivor, and then it is a little late to do anything about it. And, once again, you have someone very frustrated.

With the incredible rising divorce rate, if you look at the average American family you find that their main assets are a home and probably a pension fund or some kind of a retirement fund that they have put together.

I think we, as a society, certainly want women to still have the option to drop out of the paid labor force and raise children, or to take care of elderly parents, or some such thing, but the way the laws are written now they pay a very heavy price for that through the pension system.

In the Congress I have spent most of my time with public sector retirement

U.S. Representative Patricia Schroeder.

funds because that is where I can do the most good. And I honestly think in those areas that we should make survivors' benefits mandatory unless the spouse signs in writing that she doesn't want it. I think that solves a lot of the problem. You switch the burden. Because you are going to pick up the spouse somewhere else probably in the federal bailiwick, and I think it is much more honorable to be able to get it as a survivor than it is to have to go get food stamps or become a displaced homemaker or go through a

CETA program or some other such thing that we put together.

Secondly, I really think that we should move to having divorced spouses being entitled to some pro rata share of pensions.

Mrs. Clara Sinclair
Detroit, Michigan

I am seventy-eight and a half years old and I worked fifty-three years and I'm a retired director for the Detroit Board of Education.

I wish you could see the amounts going out to retirees at this time. Why are the salaries so great? You know when I started to work in 1928 with the Detroit Board of Education an elementary schoolteacher was getting $1400 a year. Now they're getting for a minimum sixteen, seventeen, eighteen thousand a year. Figure that when they get to the maximum of twenty-four thousand what their retirement will be based on the five years of service times the one and one-half percent. Their retirements are going to be good. They're good at this time, but will they be good in the future, that's something I couldn't answer either.

I say this, that their cost of living has been applied to their salaries so they are coming out with increased costs of living which have been granted to them over the past few years.

They can live comfortably at this time but you tell me on thirty-eight hundred dollars a year, how well do you think you could live?

James Hacking
Associate Legislative Counsel
National Retired Teachers Association/National Association of Retired Persons

One of our organizations' priority goals over the years has always been to assure that the elderly will have sufficient income to maintain, in their late years, a standard of living at least comparable to that which they achieved in their earlier years. And in addition, assure that none of them were going to fall below the poverty threshhold.

We feel that this can best be done through the development of a coherent, multi-faceted income support structure consisting of complementary tiers. We've always viewed Social Security, private pensions, and personal savings as important components in any such structure, however we believe that limiting the discussion solely to these income components under the three-legged stool concept is no longer appropriate; if it ever was.

The concept is much too limited. We hope that the commission will not feel bound to confine its policy option choices within the confines of that concept. Specifically, wage income and a means tested income component must certainly be included in the development of a sound income support policy for the elderly.

Rather than the three-legged stool, our organization feels that the income support structures having numerous components or tiers, each with specific purposes and each one complementary to the others should be developed.

Social Security today provides what is and what should continue to be the base component of the income of the elderly. Components such as private pensions and income from savings and other income producing assets are important if the elderlies' income is to be adequate, to maintain their standard of living in their later years.

Social Security is obviously the key component. However, the Social Security program, we have in mind, a restructured one, would be radically altered in the sense that it would foster rather than discourage as the present system does the growth of the other kinds of income components we're talking about.

The income source that is currently discouraged by Social Security as structured, rather than encouraged is of course, wage income. The Commission would be taking a major step in the right direction, we think, by enhancing retirement income planning, the nation's economy, access to more inflation protected income for the elderly themselves and the use of the resources available in terms of older people.

Labor force participation by older workers has been declining for some time. To some extent the responsibility for this trend can be placed on the earnings test element in the Social Security program.

Once an older person's wages pass an exempt amount, his future earnings trigger a loss of social security benefits at a very high rate. Work disincentives under this structure are severe, and we

"The income source that is currently discouraged by Social Security as structured, rather than encouraged is of course, wage income."

(Left) James Hacking, Assistant Legislative Counsel, National Retired Teachers Association/ American Association of Retired Persons.
(Right) Edward C. Wallace, Assistant, Executive Director, National Center on Black Aged.

think the elderly have responded accordingly.

I see no reason to limit a person's income producing options and the nation's retirement income policy options in such a shortsighted manner.

In view of the demographic trend, the economic trends, the declining elderly labor force participation, and concomitant increasing early retirement trends we believe that Social Security must be changed incrementally over a long period of time in very fundamental ways. And in the end, that program should end up being much less the social insurance program it is today, and instead become much more a national pension program to focus solely on the encouragement and rewarding of individual work effort.

Edward C. Wallace
Assistant Executive Director
National Center on Black Aged

Retirement, in the main, is far different for black Americans than for whites. With improvements in health and life expectancy, larger proportions of the population are surviving into old age and have every right to look forward to living out their final years in reasonable comfort, free from the fear of debilitating poverty. Unfortunately, however, as we know only too well, that modest expectation is far from being realized.

As a professional in the field of aging, I am of course concerned with the problems of all this nation's elderly citizens. However, I want to focus my attention on the particular problem of those elderly who happen to be black. That segment of the population has been referred to as living under conditions of "double jeopardy." For the black elderly who are living below the poverty line, the term "triple jeopardy" is most appropriate.

By all accounts the financial condition of the black elderly is far worse than for their white counterparts.

In 1975 the median income of black males 70 years of age and over was only 16.6 percent of that of white males of the same age group.

Much is made of the reduction of the poverty rate for the elderly in general over the past 10 years. An increase in post-retirement income, including income replacement programs, is largely credited with bringing about this improvement. However, the minority elderly have not enjoyed this improvement in income status. In fact, though the fact has been largely overlooked, the contrary is the case. In 1966 over half of the black aged population was living in poverty. By 1975 that poverty rate had been reduced to 36.6 percent, a percentage decline of approximately 34 percent. During the same period the poverty rate for the older white population declined from 26.4 percent to 13.4 percent, a decline of approximately 49 percent. Therefore, the differential between the poverty rates for the black and the white older persons actually

increased between 1966 and 1975.

There were several reasons for this deplorable record. The highest rates of pension coverage are among those workers employed in manufacturing, professional or technical workers, were high wage earners, had long tenure on the job. Only 30 percent of black workers are employed in manufacturing compared to 43 percent for the white workers. And, less than 1 percent of black workers had been professional or technical workers compared to 7 percent for the white workers. Even among those black workers who were in manufacturing, only 38 percent of them were covered by pensions as compared to 57 percent for white workers. In addition, black workers were found to have had fewer years of service on their jobs and substantially lower income earnings.

Robert Myers
Former Chief Actuary Social Security Administration Member, National Commission on Social Security

In my opinion, Social Security should provide a reasonable floor of economic protection upon which people will build. Such a floor should be high enough so that, for the vast majority of persons—say, at least 90 percent—their total retirement income is such that supplementary public assistance is not needed.

The floor should not be any higher than is necessary to achieve this result. Otherwise, individual efforts to achieve economic security will be undersirably diminished.

The present level of OASDI benefits approximately achieves this goal. This is evidenced by the fact that only about 8 percent of OASDI beneficiaries aged 65 and over also receive payments under the Supplemental Security Income program.

In order to meet responsibilities in being one of the elements of providing economic security for the populace, private pension plans should fulfill certain conditions. These include broad coverage, vesting of benefits, provision of survivor benefits, and keeping benefits up to date with changes in economic conditions.

Quite obviously, it is essential that private pension plans should cover virtually all persons who have need of such protection.

No need for such coverage exists for certain groups, such as young workers who move around from job to job before settling down to career employment, and very low-income workers whose economic security needs can more efficiently be taken care of through OASDI with its weighted benefit formula—plus supplemental public assistance, if necessary.

Along with the necessity for broad coverage of private pension plans, reasonable vesting provisions are needed for those who have accumulated substantial deferred pension amounts and then move from one job to another.

Extensive provisions should also be made in private pension plans for benefits for surviving spouses.

Retirement ages for Social Security should be raised somewhat, and possibly initial benefit levels should be somewhat lower. It is much better to have a lower pension that starts lower and keeps up to date than one that starts high and withers on the vine.

Increasing the minimum retirement age for unreduced OASDI benefits in a gradual manner, beginning some 20 years from now, should be studied. I reiterate—should only be studied.

I believe that this change should be legislated as soon as possible, so as to give people sufficient advance notice for adequate retirement planning.

Bert Seidman
Director, Social Security Department, AFL-CIO

If we get to a stage where people are employed later into life because jobs are available for older people to begin with and, secondly, because their health permits it, then it seems to me that people will voluntarily want to remain in employment.

And this will mean that those people will not be receiving social security benefits unless we wipe out the earnings test which I do not recommend.

If we were to have a different system of disability insurance, and if we had a program that provided income for people who are displaced from jobs, there would still be a question in my mind as to whether we should increase the retirement age.

The trouble is that we tend to think about the labor force and workers as if all workers are the same. But they are not the same.

There are people who are on assembly lines; there are people in foundries; there are people in domestic employment; there are people in farm employment, and so on in the hardest, dirtiest, most physically demanding jobs who are simply waiting for the day—with good reason—when they can retire because of the hard, grinding kind of work that they have done.

There are other people who have sedentary jobs; perhaps jobs which are more challenging—at least psychologically, and so on—who are very unhappy if they can't continue working, either because somebody fires them or because their health doesn't permit it.

And to treat everybody as if they were the same—it seems to me—as if everybody could, wants to, and so on, continue working beyond the present age of 65, I think is very unrealistic and very unfair.

I think that there is an increasing desire on the part of older people to continue working. But we don't provide real opportunities for them to do so.

Bert Seidman, Director, Social Security Department, AFL-CIO.

Althea T. Simmons
Director, Washington Office
N.A.A.C.P.

The N.A.A.C.P. is deeply concerned about the subjects under consideration by the Commission because of the relationship of pensions to economic security, especially among senior citizens. Forty percent of black females and 30 percent of black males over 65 live in poverty.

Black females knew from the time they can talk that they have to work, but black females have also found out from the time they could talk that they work at lower-paid jobs.

Although income is probably the greatest factor in determining the amount of pension or retirement income, other considerations enter into not only the amount of, but whether or not persons are entitled to pensions. These include the length and continuity of employment, whether or not the employer and/or the industry is covered by a collective bargaining agreement, whether the position is exempted from Social Security coverage, etc.

Low retirement income is definitely a labor force problem that cannot be isolated as solely curable by some tinkering with pension and retirement plans. Legislation or other governmental action that fails to take into account unemployment, underemployment, racial, sex and national origin discrimination, subminimum wages, the right to bargain collectively, the necessity of CETA and other training programs, will fail, I believe, to reach the issues being discussed by the Commission.

Althea T. Simmons, Director, Washington Office, N.A.A.C.P.

June O'Neill
The Urban Institute Program on Women and Family Planning

The aging population has been the target of a growing percentage of federal budget expenditures over the past two decades. Currently expenditures on programs intended to increase the economic well-being of the elderly make up close to one-quarter of all federal expenditures. The income status of the elderly is, therefore, an important policy issue.

Over the past two decades the economic status of the elderly has improved considerably, both in absolute terms and relative to the population as a whole. Poverty statistics show a dramatic decline in the percentage of elderly persons. The decline in percent below poverty for people 65 and over was from 35 percent in 1959 to 13.9 percent in 1978.

Over the same period the poverty rate for the population as a whole also fell, but not as sharply, from 22.4 percent in 1959 to 11.4 percent in 1978. Thus, the differential incidence of poverty between the elderly and nonelderly has narrowed considerably. That difference is 11.4 percent for the population as a whole and 13.9 percent for the elderly.

These patterns of income in old age reflect many of the factors that affect earnings over the nonaged's lifetime, such as education, training, work experience, and discrimination. Those with a long history of high earnings are more likely to have maximum Social Security benefits as well as a supplementary pension and asset income. In addition, the opportunity to continue to work at high earnings is likely to be related to the nature of skills acquired in the past. The older women of today have had very little market work experience, particularly those who have been married most of their adult lives.

Edith U. Fierst
Intergovernmental Task Force on Women

I would like to talk a little about the differences in the federal civil service system and Social Security on women workers.

Women do tend to be paid considerably lower than men in the Federal system. Therefore, they are the ones who would be more likely to benefit from the progressive formula of Social Security were that to become applicable.

Because the Federal system looks at the high three rather than the career average, it is better for those people whose earnings go up significantly over their career period. That is not the case for many women. For example, secretaries whose real earnings go up somewhat but not anything like the extent that is the case of professionals because there is a much lower maximum in what they can earn.

(Left) June O'Neill, The Urban Institute, Program on Women and Family Planning.
(Right) Edith U. Fierst, Intergovernmental Task Force on Women.

Another factor is the interruption in employment which many women experience because they take time out to raise a family. Social Security provides drop out years. This may work out to the advantage of women.

In order to get the maximum benefits under the Federal system you have to work 42 years. Social Security will never look at more than 35 years.

The final thing is really the result of an exemption to the public pension offset. As you probably know, one of the provisions of the 1977 amendments to the Social Security Act was the benefits that a public employee is entitled to as a spouse of an employee covered under Social Security. They are reduced dollar by dollar by the amount of that public pension.

There is a provision also that says if the employee is covered under Social Security on the date that individual retires from the Federal service, that job becomes covered under Social Security. The offset provision would not apply.

Dennis Walton, Business Manager, Operating Engineers Local No. 675.

Dennis Walton
Business Manager
Operating Engineers Local #675

I am neither an attorney, administrator, an actuary, or businessman. I am a participant in the plan. Previous to holding my position, I was a crane operator, perhaps the only crane operator and participant in the room. So I speak from a layman's position of one man that believes he does have common sense and the ability to make a prudent judgment in investing pension funds.

I would say that the interests of the participants of a plan are the prime concern. As an individual that needs to make decisions in a fiduciary capacity, I will not relinquish those responsibilities to others who perhaps do not have the same interest as I.

I say that social investing need not suffer the loss of any rate of return. Liquidity, utilizing your assets, common sense and prudence: and the hesitation of the common working man, such as myself, to get involved in financial transactions is probably the biggest factor in deterring investments of this nature. I say to the business community that we in the union movement, we the participants of our plans, have a right to govern our own destiny. We have a right to invest in those projects which are self-serving, which will continue to perpetuate the flow of funds into our pension plans. I say that it is absolutely correct. And, as a matter of fact, it would be incorrect to do anything else.

Robert T. Thompson
U.S. Chamber of Commerce

Business firms underwrite 50 percent of the cost of Social Security and the greatest majority of private pension funds. We estimate that in 1978 corporate retirement expenditure amounted to more than $100 billion, or nearly 90 percent of total corporate after-tax profits. Thus, changes to the nation's retirement income policies can have a significant impact on the profitability of American business.

Should collectively bargained pension funds be invested in a way which promotes the unionized sector of the economy? We believe that the appropriate response is that current law generally prohibits such investments and we see no reason to change the law so the interests of retirees and plan participants in a soundly financed pension plan should be subordinated to the interests and ambitions of unions.

The United States appears to be in the early stages of a social and economic change of enormous importance. Demo-

Robert T. Thompson, U.S. Chamber of Commerce.

graphic, employment and retirement patterns suggest numerous problems ahead in terms of meeting the needs of the elderly, who, by the year 2030, may constitute over 20 percent of our population.

Concerns about the adequacy of retirement income and national policies designed to encourage sound retirement savings take on a sense of urgency when we consider that the number of older citizens in America is increasing and that because of advances in longevity and improvements in pension programs the number of years spent in retirement is growing. These trends will have a dramatic impact on retirement costs. Whether these costs can be afforded is a serious question and one that must be answered soon if people are to make adequate preparations for their retirement security.

The suggestion to use pension assets to promote union interests is not a new idea, although it has received increased attention in recent years as the spotlight has focused on the private pension system, the adequacy of its benefits, coverage, and the size of its accumulated assets. In almost every instance where the issue has been raised the mandates of the law and the realities of the real role of funded pensions—namely, the pursuit of retirement income security—has prevailed.

Currently pension fund investments are made to conserve assets and to maximize investment returns. In this way plan investments serve the interests of current retirees, plan sponsors, and both current and future vested participants. Although each group has a different interest in the fund, maximum returns on the investments of the fund do not present conflicts among these separate interests. However, when social investments are made to enhance the interests of unions in particular, conflicts arise among these different groups.

The National Chamber believes that current law generally prohibits pension plan assets from being invested to promote union interests. While there may be exceptions to this general rule, we are convinced that the law is founded on sound principles—legal and economic—which should not be disturbed.

Appendices

President's Commission on Pension Policy
736 Jackson Place, NW, Washington, DC 20006

February 26, 1981

President Ronald Reagan
The White House
Washington, D.C. 20500

Dear Mr. President:

Pursuant to Executive Order 12071 and Public Law 96-14, the President's Commission on Pension Policy is submitting its final report. This report is the culmination of two years of intensive research, public outreach and education efforts on the pension problems facing our country. Our recommendations present a comprehensive national retirement income policy which responds to these problems.

A crisis exists in our retirement income programs. The nation's retirement programs are dangerously dependent on pay-as-you-go systems such as social security. Large tax supported programs have created an imbalance in the overall system which has serious implications for the future. The lack of private pension plan coverage for many retirees and inadequate savings for most older Americans places an enormous burden on these programs. The country has been devoting increasing portions of its national resources to various retirement income programs. Currently, pension and disability benefits from all sources approximate $200 billion annually.

Moreover, a growing number of individuals will be retiring at the turn of the century and it is anticipated that they will live longer in their retirement. Therefore, the problems associated with our enormous pension programs will increase. Unless deliberate action is taken in the next several years, future pension promises may be shattered.

The Commission establishes broad, long-range policy objectives for the nation in a number of important areas. These include: the future of the U.S. retirement income system, retirement income goals, pensions and tax policy, retirement age policy, universal social security coverage and the treatment of spouses. Specific proposals are recommended to meet these long-range goals and to lead us through the transition to a balanced retirement income system.

The Commission endorses the basic role of social security in providing some baseline benefits to nearly all older Americans. The program has been a remarkable achievement in social justice for the elderly. The Commission is committed to insuring that the fundamental income security elements of the program are preserved and maintained.

However, the social security system faces a number of long term difficulties which threaten its ability to deliver needed benefits after the turn of the century. Our report contains a number of recommendations to strengthen the financing aspects of the programs.

The most comprehensive recommendations of the Commission are directed toward strengthening the employee pension system. The Commission recommends federal legislation to establish a national minimum funded pension system which would be required of all

employers. Such a system would be financed by employer contributions to either an employer-sponsored plan or a central portability clearinghouse. The benefits would be vested after short service and would be carried from job to job.

The particular plan recommended by the Commission should be especially attractive to both employees and owners of small businesses. The minimum standards would reduce administrative complexities often associated with pension plans, and a portability fund for plan assets would allow employers the advantages of large pooled funds.

At a time when the Administration and Congress are seeking ways to provide tax relief, the Commission believes its recommendations on tax policy will be extremely useful. The Commission is proposing a number of tax reductions for individuals and businesses that are specifically tied to programs to increase personal savings. By reducing business as well as personal taxes and increasing savings, the Commission's program offers the possibility of relieving some of the inflationary pressures that exist in the economy.

The cost analyses of Commission proposals conclude that in the long run our recommendation would lead to a reduction in expenditures by the social security system and a substantial increase in benefit payments from employee pension plans. Federal expenditures for tax supported programs like food stamps, medicaid and housing assistance could also be expected to decline as the recommendations take full effect. Income from individual savings and work effort is also expected to increase as a result of recommendations contained in this report.

In developing our recommendations we have sought advice from hundreds of experts, interested individuals and groups, private and public sector organizations, Congress and the many executive branch agencies directly involved with retirement income programs. Our recommendations are a synthesis of our research and our work with these advisors. We believe the recommendations we have made will lead to an equitable, financially sound national retirement income system that will insure the ability of present private, federal, state and local retirement income systems to meet their future obligations to older Americans.

Public Law 96-14 requires the Commission to submit its report to both Congress and the President. Coordinated action by both the legislative and executive branches of government is necessary if we are to implement a balanced retirement income program for the nation. As called for by Public Law 96-14, the services of the Commission and its staff will be available to Congress and the executive branch for a period of 90 days. During this brief period, we hope to participate with you in the process of evaluating our recommendations for necessary administrative and legislative action.

Sincerely yours,

C. Peter McColough

C. Peter McColough
Chairman

Enclosure

President's Commission on Pension Policy
736 Jackson Place, NW, Washington, DC 20006

February 26, 1981

The Honorable Thomas P. O'Neill, Jr.
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Pursuant to Executive Order 12071 and Public Law 96-14, the President's Commission on Pension Policy is submitting its final report. This report is the culmination of two years of intensive research, public outreach and education efforts on the pension problems facing our country. Our recommendations present a comprehensive national retirement income policy which responds to these problems.

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Sincerely yours,

C. Peter McColough

C. Peter McColough
Chairman

Enclosure

Commissioners

C. PETER MCCOLOUGH (Chairman) -Mr. McColough is chairman and chief executive officer of Xerox Corporation. He is a member of the Steering Committee of the National Committee for Full Employment.

HENRY L. BOWDEN - Mr. Bowden is a partner in the law firm of Lokey and Bowden of Atlanta, Georgia. He is the former City Attorney for Atlanta.

JOHN BRAGG - Mr. Bragg is a member of the Tennessee House of Representatives. He is a member of the Council of Pensions and Retirement. Mr. Bragg is the former chairman of the National Conference of State Legislatures' Task Force on Public Pensions.

LISLE C. CARTER, JR. - Mr. Carter is president of the University of the District of Columbia. He was previously director of the Public Policy and Administration Program in the Graduate School of Business and Public Administration at Cornell University, and has served as an assistant secretary of the Department of Health, Education and Welfare, and as assistant director of the U.S. Office of Equal Opportunity.

JAMES CLARK - Mr. Clark is a member of the Maryland Senate where he is chairman of the Pension Study Committee, which completed a two-year study of the Maryland public pension systems in 1978. He is also a member of the National Conference of State Legislatures' Task Force on Public Pensions.

PAUL R. DEAN - Mr. Dean is professor of law and former dean of the Georgetown University Law School, and an expert in federal income, estate and gift taxation and estate planning. Mr. Dean also serves as neutral trustee for the Health and Retirement Funds of the United Mine Workers of America.

WILLIAM C. GREENOUGH - Mr. Greenough is former Chairman and Chief Executive Officer of TIAA-CREF, Chairman of the Subcommittee on Retirement Policy of the Committee for Economic Development, Author with Francis P. King of *Pension Plans and Public Policy*, and a Public Director of the New York Stock Exchange.

MARTHA W. GRIFFITHS - Ms. Griffiths practices law in Romeo, Michigan. She represented the 17th Congressional District of the State of Michigan in Congress from 1955 through 1975, and sponsored the Equal Rights Amendment to the Constitution.

HARVEY KAPNICK - Mr. Kapnick is the former deputy chairman of the First National Bank of Chicago. Prior to that position, he was chairman and chief executive officer of Arthur Andersen and Company of Chicago.

JOHN H. LYONS - Mr. Lyons is the president of the International Association of Bridge, Structural and Ornamental Iron Workers. He is also vice-president of the AFL-CIO's Building and Construction Trades Department.

DOROTHY W. NELSON - When Ms. Nelson joined the Commission she was dean and professor of law at the University of Southern California Law Center, Los Angeles. She was also co-chairman of the White House Conference on Children in 1970. She resigned from the Commission on January 1, 1980 when she assumed a position with the federal judiciary.

Commission Contractors

The Commission employed contractors to assist with research on a variety of pension issues. These contractors are listed below.

Marcy Avrin
Sacramento, California

Mordecai Kurz
Stanford University
Stanford, California

Mathematica Policy Research
Princeton, New Jersey

Lois Copperman
Portland State University
Portland, Oregon

Michael March
University of Colorado
Denver, Colorado

Craig Schneier
University of Maryland
College Park, Maryland

Stephen Carroll
University of Maryland
College Park, Maryland

Judy Olian
University of Maryland
College Park, Maryland

Paul Wachtel
Federal Reserve Bank
New York, New York

Howard Winkelvoss
Howard Winkelvoss & Associates
Philadelphia, Pennsylvania

Robert Smith
Cornell University
Ithaca, New York

Michael Boskin
National Bureau of Economic Research
Palo Alto, California

Jeffrey Rubin
Rutgers University
New Brunswick, New Jersey

SRI International
Menlo Park, California

Market Facts
Chicago, Illinois

ICF, Inc.
Washington, D.C.

Hay Associates
Washington, D.C.

American Society of Pension Actuaries
Washington, D.C.

James Barth
George Washington University
Washington, D.C.

Brendan O'Farrell
Howard Johnson & Co.
Seattle, Washington

Stanford Ross
Califano, Ross & Heineman
Washington, D.C.

Jocelyn Gutchess
Ruttenberg, Friedman, Kilgallon, Gutchess & Associates
Washington, D.C.

Monroe Berkowitz
Rutgers University
New Brunswick, New Jersey

Richard M. Bank, esq.
Washington, D.C.

Kim Clark
National Bureau of Economic Research
Cambridge, Massachusetts

Lawrence Kotlikoff
National Bureau of Economic Research
Cambridge, Massachusetts

Thomas Borzilleri
Washington, D.C.

Ronald Ehrenberg
Cornell University
Ithica, New York

Commission Working Papers

Titles:

Demographic Shifts and Projections; the Implications for Pension Systems by Barbara Boyle Torrey, April 1979.

Private Pensions and Capital Formation by Mordecai Kurz and Marcy Avrin, September 1979.

Social Security and Capital Formation: the Funding Controversy by Mordecai Kurz and Marcy Avrin, September 1979.

Technical Paper: the Funding Issue and Modern Growth Theory by Mordecai Kurz and Marcy Avrin, September 1979.

The Use of Pension Fund Capital: Its Social and Economic Implications — Some Background Issues by Judith Mares, November 1979.

Varieties of Retirement Ages by Elizabeth L. Meier and Cynthia C. Dittmar, November 1979.

An International Comparison of Pension Systems by Barbara Boyle Torrey and Carole J. Thompson, March 1980.

Retirement Income Goals by Elizabeth L. Meier, Cynthia C. Dittmar, and Barbara Boyle Torrey, March 1980.

Employment of Older Workers: Disincentives and Incentives by Elizabeth L. Meier, April 1980.

Working Women, Marriage, and Retirement by Shelley Lapkoff, August 1980.

Income of the Retired: Levels and Sources by Cynthia C. Dittmar and Elizabeth L. Meier, October 1980.

In-Kind Benefit Programs and Retirement Income by Thomas C. Borzilleri, October 1980.

Income Security Programs: Past, Present and Future by Standford G. Ross, October 1980.

Non-Traditional Investment of Pension Funds — A Brief Overview of the Antitrust Question by Richard M. Bank, December 1980.

Federal Pension Programs, by Preston C. Bassett, January 1981.

Pensions and Divorce, by Brendan O'Farrell, January 1981.

Portability of Pensions, by Elizabeth L. Meier, January 1981.

Early Retirement in Public Safety Organizations by Michael J. O'Connell, February 1981.

Pensions and Personnel/Human Resource Management: Documented and Potential Impacts of Pensions on Human Resource Management Systems and Individual Work Behaviors by Judy D. Olian, Stephen J. Carroll, Jr., and Craig E. Schneier, College of Business and Management, University of Maryland, February 1981.

Coming of Age: Toward a National Retirement Income Policy, Technical Papers, April 1981.

Research Conference

On January 6, 7, and 8, 1981, the President's Commission on Pension Policy sponsored a policy and research conference to review and critique the various papers and projects initiated and completed during the life of the Commission.

Demographics and Retirement Ages

This session focused on two Commission working papers entitled Varieties of Retirement Ages and Demographic Shifts and Projections. The discussion explored current policies about work and retirement and addressed the impact of shifts in age distribution on the pension structure.

Harold Sheppard
Counsellor on Aging to the President

Douglas Norwood
Office of Management and Budget

Anna Rappaport
William M. Mercer, Inc.

James Schulz
Brandeis University

Elizabeth Meier
President's Commission
on Pension Policy

Household Survey

The panel discussed the results of the Commission's household survey of 6,100 adults designed to measure the relationship between pension plan participation and personal savings.

Marcy Avrin

Michael Boskin
National Bureau of Economic Research

Mordecai Kurz
Stanford University

Funding Issues

This session focused on the adequacy of current funding rules and the unfunded liabilities for federal, state and local government pension systems.

John Riordan
House Ways and Means Committee

Arden Hall
SRI International

Matthew Lind
Travelers Insurance Company

Roy Neff
Winklevoss & Associates

Irwin Tepper
Harvard University

William Cartwright
President's Commission
on Pension Policy

Preston Bassett
President's Commission
on Pension Policy

Retirement Income Benefits and Goals

Three Commission working papers were discussed during this session: Retirement Income Goals, Levels and Sources of Retirement Income and the Role of In-Kind Benefits. As the titles of these papers indicate, the discussion focused on relative and absolute retirement income goals; the various sources of retirement income and the sources of in-kind benefits.

Thomas Borzilleri
Economic Consultant

Yung Ping Chen
University of Southern California

Gayle Thompson Rogers
Social Security Administration

Richard Wertheimer
Urban Institute

Elizabeth Meier
President's Commission
on Pension Policy

Cynthia Dittmar
President's Commission
on Pension Policy

Preston Bassett
President's Commission
on Pension Policy

Pension Funds and Capital Markets

The panel reviewed three Commission papers: The Use of Pension Fund Capital, the Economic Implications of Allocation of Pension Fund Capital and the Ownership and Control of Pension Fund Assets.

Comments focused on where responsibility for formulation of pension and investment objectives should lie; the economic determinants of allocation of pension fund assets and the legal problems surrounding the debate on the ownership and control of pension plan assets.

James Barth
George Washington University

Roy Shotland
Georgetown University Law Center

John Windsor
Heritage Investment Advisors

Richard Bank
Attorney at Law, Washington, D.C.

Shelley Metzenbaum
Office of the State of Alabama
Washington, D.C.

Thomas Woodruff
President's Commission
on Pension Policy

Labor Issues

This session centered on two papers: Pensions and the Labor Market and the Wage Pension Trade-off. The panel reviewed whether pension benefits represent a compensating differential in the labor market and the question of whether there is a large pension tradeoff.

John Gentry
University of North Carolina

Robert Smith
Cornell University

Jack Barbash
University of Wisconsin

Savings

The session discussed several working papers: The Impact of Demographic Changes on Savings, the Effect of Savings; Private Pensions and Capital Formation; Social Security and Capital Formation and the Funding Issues and Modern Growth Theory.

Alicia Munnell
Federal Reserve Bank of Boston

Paul Wachtel
New York University

Kenneth Tolo
University of Texas

Mordecai Kurz
Stanford University

Charles Lieberman
Federal Reserve Bank of New York

Thomas Gustafson
Department of Health & Human
Services

Selig Lesnoy
Social Security Administration

William Cartwright
President's Commission
on Pension Policy

Minimum Universal Pension System

This session discussed a major project of the Commission which analyzed the cost and impact of alternative designs for a minimum universal employee pension system and various changes in ERISA's participation and vesting standards.

John Valiante
ICF, Inc.

Marcy Avrin

Robert Paul
Martin E. Segal, Co.

Matthew Lind
Travelers Insurance Company

Thomas Woodruff
President's Commission
on Pension Policy

Roles of Social Security, Employee Pensions and Personal Saving in Retirement Income

The panel focused on several papers: Income Security Programs: Past, Present

and Future, Social Security Integration; and the Social Security Benefit and Financing Structure. The panelists discussed the evolution of the major retirement income programs in this country; the costs of tax proposals tentatively discussed by the Commission in its interim report; the concept of integration of social security and employee pensions and reviewed whether the social security benefit structure achieves its goals.

Dan Halperin
Formerly with U.S. Treasury Department

Paul Van De Water
Social Security Administration

Stanford Ross
Former Commissioner of the Social Security Administration

Robert Clark
North Carolina State University

James Shulz
Brandeis University

Shelley Lapkoff
President's Commission on Pension Policy

Cynthia Dittmar
President's Commission on Pension Policy

Users Session: Research on Micro and Macro Economic Issues

The background papers for this session were Private Pensions and Capital Formation, Social Security and Capital Formation, Technical Paper: The Funding Issue and Modern Economic Growth Theory and the Implications of Policy for Capital Formation, Savings and Investment. The discussion focused on the development of a long-term economic growth model by the Commission to quantify the realtionship between capital formation, saving and investment on the economy.

Joseph Anderson
ICF, Inc.

Mordecai Kurz
Stanford University

William Cartwright
President's Commission on Pension Policy

Spouse and Disability Issues

The session focuses on four papers: Disability Study; Working Women, Marriage and Retirement; Earnings Sharing; Pensions and Divorce; and Disability Pensions: Four Options for Change.

Martha Yohalem
Social Security Administration

Monroe Berkowitz
Rutgers University

Saad Nagi
Ohio State University

Ann Erfle
Senate Budget Committee

Brenden O'Farrell
Howard Johnson & Company

Jonathan Sunshine
Veterans' Administration

Barbara Bergman
University of Maryland

Shelley Lapkoff
President's Commission on Pension Policy

Public Meetings/Hearings

Public Meeting
Washington, D.C.
March 23, 1979

Public Meeting
Washington, D.C.
June 22, 1979

"Retirement Ages"
Study Group I Hearing
Washington, D.C.
August 21, 1979

"Future of the Three-Legged Stool — Part II"
Public Meeting/Hearing
Washington, D.C.
September 28, 1979

"Social Security Integration"
Study Groups II and III Hearing
Washington, D.C.
October 10, 1979

"Disability" and "State and Local Retirement Issues"
Study Group II Hearing
Washington, D.C.
October 19, 1979

"Adequate Retirement Income In An Inflationary Era"
Study Group II Hearing
Detroit, Michigan
October 24, 1979

"Tax Treatment of Pension Contributions and Benefits"
Study Group III Hearing
Washington, D.C.
November 29, 1979

"Pension Income and Coverage of Women and Minorities"
Public Meeting/Hearing
Washington, D.C.
November 30, 1979

"Ownership, Control & Management of Pension Fund Assets - Part I"
Study Group III Hearing
Washington, D.C.
December 10 and 11, 1979

"Retirement Income Adequacy"
Public Meeting/Hearing
Washington, D.C.
January 11, 1980

"Labor Roundtable Discussion"
Study Groups I and III Hearing
Washington, D.C.
February 4, 1980

"Retirement Ages and Income Adequacy"
Public Meeting/Hearing
San Francisco, California
February 25, 1980

"Retirement Income Adequacy"
Study Group I Public Hearing
Los Angeles, California
February 26, 1980

"The Future of the Three-Legged Stool - Part II"
Study Groups I and 2 Public Hearing
Washington, D.C.
March 13, 1980

"Universal Private Pension Plan Coverage"
Symposium
Washington, D.C.
April 17, 1980

Universal Social Security Coverage
Public Hearing
Washington, D.C.
April 18, 1980

Interim Report
Public Meeting
Boston, Massachusetts
May 2, 3, and 4, 1980

"Retirement Income Funding and Financing Issues"
Study Group II Hearing
Minneapolis, Minnesota
June 12, 1980

"State/Local Government Roundtable Discussion"
Study Group II Hearing
Austin, Texas
June 13, 1980

"Pensions and Tax Policy"
Public Meeting/Hearing
Washington, D.C.
September 12, 1980

"Public Reaction to Universal Private Pension Plan Proposal"
Symposium/Public Meeting
New York, New York
September 25, 1980

"Social Security's Benefit Structure"
Public Meeting/Hearing
Washington, D.C.
October 3, 1980

"Early Retirement"
Public Meeting/Hearing
Washington, D.C.
October 9, 1980

Interim Report
Public Meeting
Washington, D.C.
October 25 and 26, 1980

"Federal Administration of Pension Programs/ERISA Funding Standards"
Public Hearing
Washington, D.C.
November 14, 1980

"Disability Issues"
Public Hearing
Knoxville, Tennessee
November 21, 1980

"Ownership and Control of Pension Fund Assets - Part II"
Public Hearing
Washington, D.C.
December 11, 1980

"Vesting and Portability"
Public Hearing
Washington, D.C.
December 12, 1980

"Policy and Research Conference"
Public Meeting
Washington, D.C.
January 6, 7, and 8, 1981

Final Report
Public Meeting
Williamsburg, Virginia
January 23, 24, and 25, 1981

Public Witnesses

The President's Commission on Pension Policy held 30 public hearings. Individuals who presented or submitted testimony are listed below; their association or business is indicated, along with the hearing (in italics) in which they participated:

ABKEMEIER, NOEL J.; Senior Actuary, Allstate Life Insurance Co.; *Disability and State and Local Retirement Issue* — October 19, 1979

ABRAHAM, JOHN; Associate Director, Development and Research Department, Communication Workers of America; *Tax Treatment of Pension Contributions and Benefits* — November 29, 1979

AGEE, WILLIAM; Chairman and Chief Executive Officer, The Bendix Corporation; *Role of Public vs Private Pension Systems and Savings* — September 28, 1979

AHART, GREGORY J.; Director, Human Resources Division, U.S. Government Accounting Office; *Federal Administration of Pension Programs/ERISA Funding Standards* — November 14, 1980

ALLEN, EVERETT T., JR.; Chairman, Pension Policy Committee; American Association of Private Pensions and Welfare Plans; *Ownership, Control & Management of Pension Fund Assets* — April 17, 1980; *Public Reaction to Universal Private Pension Plan Proposal* — September 25, 1980

AMENDE, KENNETH; Staff Analyst, San Jose Federal Employees Retirement System; *Retirement Ages and Income Adequacy* — February 25, 1980

ANDERSON, ROGER; Council Member, National League of Cities; *Universal Social Security Coverage* — April 18, 1980; *State/Local Government Roundtable Discussion* — June 13, 1980

ARTHUR, GRIBBIN J., JR.; Vice President, Johnson and Higgins; *Public Meeting* — March 23, 1979

ASLING, JOHN; Transportation Workers Union of America; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

AULT, TOM; U.S. Department of Health and Human Services; *Social Security's Benefit Structure* — October 3, 1980

BAITSELL, JOHN M.; Chairman, ERISA Industry Advisory Committee (ERIC); Mobile Oil; *Public Meeting* — March 23, 1979; *Pensions and Tax Policy* — September 12, 1980

BALDWIN, STUART; Council on Economic Priorities; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

BARBER, RANDY; People's Business Commission; *Ownership, Control & Management of Pension Fund Assets* — December 10, 1979; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

BARKER, MICHAEL; Associate Director, Community and Economic Development Council of State Planning Agencies; *Ownership and Control of Pension Fund Assets* — December 11, 1979

BARONE, MIKE; Peter Hart Research Association; *Social Security's Benefit Structure* — October 3, 1980

BARTH, JAMES; Assistant Professor, Department of Economics, George Washington University; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

BARTLETT, JOSEPH W.; Chairman, Universal Social Security Coverage Study Group, U.S. Department of Health, Education, and Welfare; *Universal Social Security Coverage* — April 18, 1980

BATTEN, MICHAEL D.; Consultant, Industrial Gerontology; *Retirement Ages* — August 21, 1979

BELLUP, ELMER R.; Chairman, Michigan Commission on School Personnel Legislation; *Adequate Retirement Income in An Inflationary Era* — October 24, 1979

BENNET, VERNON; President, National Association of State Retirement Administrators; Executive Officer, Public Employee Retirement System of Nevada; *State/Local Government Roundtable Discussion* — June 13, 1980

BENNETT, DIANNE; *Social Security Integration* — October 10, 1979

BERGMANN, BARBARA R.; Women's Equity Action League; Professor of Economics, University of Maryland; *Pension Coverage of Women and Minorities* — November 30, 1979

BERKOWITZ, MONROE; Professor of Economics, Rutgers University; *Disability and State and Local Retirement Issues* — October 19, 1979; *Disability Issues* — November 21, 1980

BERNSTEIN, MERTON C.; Member, Ohio Retirement Study Commission; Coles Professor of Law, Washington University; *The Future of The Three-Legged Stool — Part II* — March 13, 1980; *Universal Private Pension Plan Coverage* — April 17, 1980

BIELSKI, EWA; Chairperson, Citizens' Commission on Pension Policy; *Public Meeting* — March 23, 1979; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979; *Vesting & Portability* — December 12, 1980

BIGLER, HAROLD E.; Vice President, Connecticut General Life Insurance Company; *Ownership, Control & Management of Pension Fund Assets* — December 10, 1979

BLECHINGER, CARL J.; Executive Officer, California Public Employees' Retirement System; *Social Security Integration* — October 10, 1979; *State/Local Government Roundtable Discussion* — June 13, 1980

BLYTHE, BILL; State House of Representatives; Austin, Texas; *State/Local Government Roundtable Discussion* — June 13, 1980

BORZILLERI, THOMAS C.; *Retirement Income Adequacy* — January 11, 1980

BOWEN, J. HARTLEY; National Executive Secretary, Naval Civilian Administrators Association; *Disability and State and Local Retirement Issues* — October 19, 1979

BOYNTON, EDWIN F.; The Wyatt Company; *Social Security Integration* — October 10, 1979

BRANNON, G. M.; American Council of Life Insurance; *Tax Treatment of Pension Contributions and Benefits* — November 29, 1979

BROSSEAU, IRMA FINN; Executive Director, National Federation of Business and Professional Women's Clubs; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

BURRIS, PATRICIA; Senior Actuarial Consultant, Social Security Department, United Auto Workers; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979

CASSEDY, ELLEN; Working Women; *Vesting & Portability* — December 12, 1980

CASSIDY, SEAN; Research Director, Pension Rights Center; *Federal Administration of Pension Programs/ERISA Funding Standards* — November 14, 1980; *Vesting & Portability* — December 12, 1980

CASTILLO, GREGORY; Dissemination Coordinator, Minority Aging and Social Policy University of Southern California; *Retirement Income Adequacy* — February 26, 1980

CLARK, PATRICK; Corresponding Secretary, Retirement Federation of Civil Service Employees; *Retirement Ages* — August 21, 1979; *Universal Social Security Coverage* — April 18, 1980; *Vesting & Portability* — December 12, 1980

CLARK, ROBERT L.; Associate Professor, North Carolina State University; *Retirement Income Adequacy* — January 11, 1980

CLOER, WILLIAM J.; Vice President and Actuary, Howard Johnson and Company; *Retirement Income Adequacy* — February 26, 1980

COAKLEY, CHARLES; American Insurance Association; *Disability Issues* — November 21, 1980

COLE, RAYMOND E.; Partner, Hewitt Associates; *Retirement Ages and Income Adequacy* — February 25, 1980

COLES, GEORGE W.; Profit Sharing Council of America; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

COLLINS, ADRIAN, ESQUIRE; Senior Tax Counsel, Profit Sharing Council of America; Exxon Corporation; *Ownership, Control & Management of Pension Fund Assets* — December 10, 1979; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

COMPA, LANCE; United Electrical Workers; *Labor Roundtable Discussion* — February 4, 1980

COPPERMAN, LOIS F.; Portland State University Institute on Aging; *Retirement Ages* — August 21, 1979

CORDES, JOSEPH; Assistant Professor, Department of Economics, George Washington University; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

CORDON, JOHN A.; Profit Sharing Council of America; *Vesting & Portability* — December 12, 1980

COSGROVE, JOHN E.; Chairman, Fund for Assuring an Independent Retirement (FAIR); *Labor Roundtable Discussion* — February 4, 1980; *Universal Social Security Coverage* — April 18, 1980

CURZAN, MYRON P.; Counsel, ERISA Industry Advisory Committee (ERIC); *Public Meeting* — March 23, 1979

CUSHMAN, ROGER H.; Profit Sharing Council of America; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

DARLING, REEVE; President, Los Angeles Consulting Group; *Retirement Income Adequacy* — February 26, 1980

DAVID, FRANK H.; Vice President and Associate Actuary, Prudential Insurance Company of America; Chairman, Committee of the American Council of Life Insurance; *Public Reaction to Universal Private Pension Plan Proposal* — September 25, 1980; *Vesting & Portability* — December 12, 1980

DAVIDSON, DAN H.; City Manager for City of Austin; Member, National Planning Association Joint Committee on Public Employee Pensions; Presenting Testimony for George Schrader, President, International City Management Association, Austin, Texas; *State/Local Government Roundtable Discussion* — June 13, 1980

DAY, VIRGIL B.; Counsel, ERISA Industry Advisory Committee (ERIC); *Public Meeting* — March 23, 1979

DEARNLEY, IRVINE; National Association of Manufacturers; *Disability and State and Local Retirement Issues* — October 19, 1979; *Universal Social Security Coverage* — April 18, 1980

DEBARD, ROGER; Bond Portfolio Manager, Scudder, Stevens and Clark, Inc.; *Retirement Income Adequacy* — February 26, 1980

DECONCINI, JOHN; Bakery and Confectionary and Tobacco Workers International Union; *Labor Roundtable Discussion* — February 4, 1980

DELAHANTY, DOLORES S.; President, National Women's Education Fund; Member, HEW Secretary's Advisory Committee on the Rights and Responsibilities of Women; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

DELANHANTY, EDWARD L.; Partner, Hewitt Associates; *Retirement Income Funding to Financing Issues* — June 12, 1980

DOWDALL, J. PAUL; Gray Panthers of San Francisco; *Retirement Ages and Income Adequacy* — February 25, 1980

DUNGAN, VICKI, L.; National Employee Benefits Institute; *Public Meeting* — June 22, 1979

EDMISTON, STEPHEN L.; Administrative Assistant, Disabled American Veterans; *Disability Issues* — November 21, 1980

EDWARDS, PAUL; Vice Chair, Citizens' Commission on Pension Policy; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

EDWARDS, THOMAS C.; Chairman, TIAA/CREF; *Vesting & Portability* — December 12, 1980

ELIO, CARMEN; National Governors Association; *Disability and State and Local Retirement Issues* — October 19, 1979

ELKUS, ROBERT C.; Elkus and Forster, Professional Corporation; *Retirement Ages and Income Adequacy* — February 25, 1980

ENGLISH, JOHN; American Association of Retired Persons of the National Retired Teachers Association; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979

FEDER, GERALD; General Counsel, National Coordinating Committee for Multi-Employer Plans; *Ownership, Controls & Management of Pension Assets* — December 10, 1979

FEFFERMAN, ARTHUR; Staff Member, Social Security Committee, Health Insurance Association of America; *The Three-Legged Stool — Part II* — March 13, 1980

FELDTMOSE, JOHN N.; Vice President, Johnson and Higgins; *Retirement Income Adequacy* — January 11, 1980

FERGUSON, KAREN W.; Director, Pension Rights Center; *Role of Public vs. Private Pension Systems and Savings* — September 28, 1979; *Social Security Integration* — October 10, 1979; *The Future of the Three-Legged Stool — Part II* — March 13, 1980; *Universal Private Pension Plan Coverage* — April 17, 1980; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

FIBIGER, JOHN A.; Executive Vice President, Social Security Committee of the American Council and of the Health Insurance Association of America; New England Mutual; *The Future of the Three-Legged Stool — Part II* — March 13, 1980

FIELDING, BRUCE G.; National Federation of Independent Business; *Universal Private Pension Plan Coverage* — April 17, 1980

FIERST, EDITH U.; Policy Analyst, Interdepartmental Task Force on Women; *Pension Income and Coverage of Women and Minorities* — November 30, 1979; *Universal Social Security Coverage* — April 18, 1980

FITZPATRICK, EDMUND; Director, Retirement Planning Program; National Council on The Aging; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979

FORMAN, BERNARD I.; Commissioner, Citizens' Commission on Pension Policy; Professor Emeritus/Art, Mankato State University; *Retirement Ages* — August 21, 1979; *Early Retirement* — October 9, 1980

FRANCES, LEONARD; Legal Counsel, Older Women's League Education Fund (OWLEF); *Retirement Ages and Income Adequacy* — February 25, 1980

FREEMAN, JAMES S.; Vice President, Business Roundtable; Union Carbide Company; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

GAMON, JACK; President, International Association of Fire Fighters; *Early Retirement* — October 9, 1980

GALLAGHER, RICK; Chairman, Research Committee, Fund for Assuring an Independent Retirement (FAIR); *Universal Social Security Coverage* — April 18, 1980

GARVER, RONALD; Independent Consulting Actuaries National Associates; *Retirement Income Adequacy* — February 26, 1980

GAUTHIER, CAROL ANN; President, Alternate Choice, Inc.; *Early Retirement* — October 9, 1980

GEORGINE, ROBERT A.; Chairman,

National Coordinating Committee for Multi-Employer Plans; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

GERLOFF, INEZ; *Retirement Income Adequacy* — February 26, 1980

GIBB, WILLIAM P.; American Council of Life Insurance; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

GIBSON, KEATH P.; Chief Actuary, American Telephone and Telegraph Co.; *Retirement Income Funding and Financing Issues* — June 12, 1980

GIVENS, HARRISON; Senior Vice President, Equitable Life Assurance Company; *Social Security Integration — Universal Private Pension Plan Coverage* — October 10, 1979; *Public Reaction to Universal Private Pension Plan Proposal* — September 25, 1980

GLASSER, MELVIN A.; Director, Social Security Department; International Union, United Automobiles, Aerospace and Agricultural Implement Workers of America; *The Future of the Three-Legged Stool — Part II* — March 13, 1980

GLAVIN, DENIS; General President, United Electrical, Radio and Machine Workers of America; *Labor Roundtable Discussion* — February 4, 1980

GNAIZDA, ROBERT; Partner, Public Advocates, Inc.; *Retirement Ages and Income Adequacy* — February 25, 1980

GORDON, MICHAEL; Attorney, Mittelman & Gordon; *Vesting & Portability* — December 12, 1980

GORDON, NANCY M.; Executive Director, Interdepartmental Task Force on Women; *Pension Income and Coverage of Women and Minorities* — November 30, 1979; *Social Security's Benefit Structure* — October 3, 1980

GRAY, HILLEL; Executive Director, Citizens' Commission on Pension Policy; *Public Reaction to Universal Private Pension Plan Proposal* — September 25, 1980

GREENBERG, SAMUEL; *Public Meeting* — June 22, 1979

GRIBBIN, ARTHUR; Johnson & Higgins; *Retirement Ages* — August 21, 1979

GRIFFES, ERNEST, J.E.; Director, Employee Benefits, Levi Strauss and Co.; *Retirement Ages and Income Adequacy* — February 25, 1980

GRISSOM, LARRY; Supervisor, Employees Benefits Division, Nevada Public Employees Retirement System; *Retirement Ages and Income Adequacy* — February 25, 1980

GROOM, THEODORE R.; Prudential Insurance Co.; Equitable Life Assurance Society; John Hancock Mutual Life Insurance; Connecticut Life Insurance; Aetna Life & Casualty; *Federal Administration of Pension Program/ERISA Funding Standards* — November 14, 1980

GRUBBS, DONALD S., JR.; Consulting Actuary, George B. Buck Consulting Actuaries, Inc.; *Public Meeting* — June 22, 1979; *The Future of the Three-Legged Stool — Part II* — March 13, 1980; *Universal Private Pension Plan Coverage* — April 17, 1980; *Federal Administration of Pension Program/ERISA Funding Standards* — November 14, 1980; *Vesting & Portability* — December 12, 1980

GUTCHESS, JOCELYN; Rutenberg, Friedman, Gutchess & Associates; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

GULAN, JEROME K.; National Small Business Association; *Role of Public vs. Private Pension Systems and Savings* — September 28, 1979

HACKING, JAMES M.; Assistant Legislative Counsel, National Retired Teachers Association and American Association of Retired Persons; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979; *Ownership, Control & Management of Pension Fund Assets* — December 10, 1979; *The Future of the Three-Legged Stool — Part II* — March 13, 1980; *Public Reaction to Universal Private Pension Plan Proposal* — September 25, 1980

HALPERIN, DANIEL; Deputy Assistant Secretary (Tax Legislation), U.S.

Treasury Department; *Social Security Integration* — October 10, 1979; *Pensions and Tax Policy* — September 12, 1980

HANRAHAN, I. MICHAEL; Compensation Manager, Hart, Shaffner and Marx; *Public Reaction to Universal Private Pension Plan Proposal* — September 25, 1980

HANSEN, JOHN; National Assembly of National Voluntary Health and Social Welfare Organization; *Interim Report, Public Meeting* — October 25, 26, 1980

HARRINGTON, JOHN; Chair, Public Investment Task Force, Office of the Governor, State of California; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

HARRISON, GRAHAM B.; President, ERISA Industry Advisory Committee (ERIC); U.S. Steel and Carnegie Pension Fund; *Ownership, Control & Management of Pension Fund Assets* — December 10, 1979

HEATON, HERBERT; Comptroller, Rockefeller Foundation; *Retirement Income Adequacy* — January 11, 1980

HELMS, RICHARD C.; Director, Los Angeles Police Protective League; *Retirement Income Adequacy* — January 11, 1980

HOLAN, WALTER; Vice President, Profit Sharing Council of America; *Vesting & Portability* — December 12, 1980

HOLM, CHARLES E.; Vice President and Actuary, Retirement Data Services Inc.; Member, American Academy of Actuaries; *Retirement Income Funding and Financing Issues* — June 12, 1980

HOLMES, KENNETH; Member, Investment Policy Committee, American Association of Private Pension and Welfare Plans; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

HOOKER, JAMES A.; President, Retirement Federation of Civil Service Employees; *Retirement Ages* — August 21, 1979; *Universal Social Security Coverage* — April 18, 1980

HORLICK, MAX; Director, Comparative Studies Staff, Office of International Policy, U.S. Social Security Administration; *Role of Public vs. Private Pension System and Savings* — September 28, 1979; *Social Security's Benefit Structure* — October 3, 1980

HOVEY, HAL; Investigator, The Urban Institute; *Retirement Income Funding and Financing Issue* — June 12, 1980

HURA, G.D.; Vice President, American Council of Life Insurance; Bankers Life Company; *Social Security Integration* — October 10, 1979

HUTCHINSON, JAMES D.; Steptoe and Johnson; *Ownership, Control & Management of Pension Fund Assets* — December 10, 1979; *Interim Report, Public Meeting* — October 25, 26, 1980

JACKSON, PAUL; Consulting Actuary, National Small Business Association; Wyatt Company; *Public Meeting* — March 23, 1979; *Role of Public vs. Private Pension Systems and Savings* — September 28, 1979

JACOBS, GRACE; Member, National Steering Committee, The Gray Panthers; *Retirement Income Adequacy* — February 26, 1980

JENSEN, KARL K.; Director of Legislation, Retired Public Employees Association of California; *Retirement Income Adequacy* — February 26, 1980

JONES, BENJAMIN F.; President, Monarch Life Insurance Company; *Disability and State and Local Retirement Issues* — October 19, 1979; *Disability Issues* — November 21, 1980

KAISER, GRAY S.; Deputy Director, California Department of Aging; *Retirement Income Adequacy* — February 26, 1980

KALTENBORN, SARA; Attorney, Task Force on Sex Disrimination, Civil Rights Division, U.S. Department of Justice; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

KAYE, LLOYD S.; Vice President and Senior Legal Counsel, William M. Mercer, Employee Benefits Division; *Universal Private Pension Plan Coverage* — April 17, 1980

KEATING, WILL; Assistant Executive Officer; Nevada Public Employees Retirement System; *Universal Social Security Coverage* — April 18, 1980

KEITH, HASTINGS; Vice Chairman, National Planning Association Public Employee Pension Committee; Vice Chairman, Defense Manpower Commission; *Public Reaction to Universal Private Pension Plan Proposal* — September 25, 1980

KEENE, KENNETH; Johnson & Higgins; *Public Meeting* — March 23, 1979

KELLISON, STEVE; Executive Director, American Academy of Actuaries; *Public Meeting* — March 23, 1979

KELLY, PETER; Partner, Altheimer and Gray; Member, Council of the Federal Taxation Section of the Illinois State Bar Association; *Pension and Tax Policy* — September 12, 1980

KENNEDY, JOSEPH; Vice President, National Conference of Public Employee Retirement Systems; *State/Local Government Roundtable Discussion* — June 13, 1980

KIMSON, ERIC R.; Assistant Professor, School for Social Work and Community Planning, University of Maryland; *Early Retirement* — October 9, 1980

KING, SIDNEY A.; Drexel, Burnham & Lambert; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

KIRK, RONALD J.; Chairman, Financial Accounting Standards Board; *Federal Administration of Pension Program/ERISA Funding Standards* — November 14, 1980

KLOSE, EDWIN A.; President, Klose Associates, Inc.; *The Future of the Three-Legged Stool — Part II* — March 13, 1980; *Public Reaction to Universal Private Pension Plan Proposal* — September 25, 1980

KRIEGER, H.L.; Director, Federal Personnel and Compensation Division, U.S. General Accounting Office; *Early Retirement* — October 9, 1980; *Federal Administration of Pension Programs/Funding Standards* — November 14, 1980

KUBICZKY, STEPHEN; Partner, Altheimes and Gray; Member, Council of the Federal Taxation Section of the Illinois State Bar Association; *Pensions and Tax Policy* September 12, 1980

KUZMACK, RICHARD A.; Mathtech, Inc.; *Social Security Integration* — October 10, 1979

LAFLEUR, JAMES M.; Executive Director, State of Wisconsin Investment Board; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

LAMB, TONY; *Retirement Income Adequacy* — February 26, 1980

LAMON, HARRY V. JR.; Small Business Council of America, Inc.; *Tax Treatment of Pension Contributions and Benefits* — November 29, 1979

LANOFF, IAN; Administrator, Pension and Welfare Benefit Programs, U.S. Department of Labor; *Federal Administration of Pension Program/ERISA Funding Standards* — November 14, 1980

LEIBIG, MICHAEL T.; General Counsel, American Federation of State/County Municipal Employees (AFSCME); Swidling & Maurer; *Disability and State and Local Retirement Issues* — October 19, 1979; *Ownership, Control & Management of Pension Fund Assets* — December 10, 1979; *Labor Roundtable Discussion* — February 4, 1980; *Ownership and Control of Pension Fund Assets* — December 11, 1980

LEIBIG, PHOEBE S.; Senior Administrative Analyst, Andrus Gerontology Center, University of Southern California; *Retirement Income Adequacy* — February 26, 1980; *Early Retirement* — October 9, 1980

LEVIN, MARVIN A.; Senior Vice President, Group Pension Operations, Connecticut General Life Insurance Company; *Pensions and Tax Policy* — September 12, 1980

LEWIS, DAVID; Institute of Electrical and Electronic Engineers; *Vesting & Portability* — December 12, 1980

LINDBERG, ANDREW R.; Chairman, Committee on Pensions, Citizens League; *Retirement Income Funding and Financing Issues* — June 12, 1980

LINGUA, GEORGE M.; Member, Executive Committee of ERISA Industry Advisory Committe (ERIC); Senior Vice President, Citibank; *Public Meeting* — March 23, 1979

LITVAK, LAWRENCE; Economic Consultant, Council on Economic Priorities; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

LOSK, NORMAN S.; State Actuary, State of Washington; Chairman, Pension Task Force, National Governor's Association; *State/Local Government Roundtable Discussion* — June 13, 1980

LOVE, DOUGLAS A.; Chairman of the Board, Buck Pension Fund Services; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

LINDEMAN, DAVID; U.S. Department of Health and Human Services; *Social Security's Benefit Structure* — October 3, 1980

LIPTON, MARK; Lipton & Lipton; *Disability Issues* — November 21, 1980

LOVELESS, CHARLES M.; Counsel, Employee Benefits, American Federation of State/County Municipal Employees (AFSCME); *Disability and State and Local Retirement Issues* — October 19, 1979; *Labor Roundtable Discussion* — February 4, 1980

LUVIG, ALVIN D.; Special Counsel, Small Business Council of America; *Vesting & Portability* — December 12, 1980

LYNCH, THOMAS V.; President, Thomas V. Lynch and Associates; *Retirement Income Funding and Financing Issues* — June 12, 1980

LYONS, RAYMOND M.; Vice President, Fruehauf Corporation; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979

MCCLINTOCK, J.B.; Vice President, American Council of Life Insurance; *Role of Public vs. Private Pension Systems and Savings* — September 28, 1979; *The Future of the Three-Legged Stool — Part II* — March 13, 1980

MCCONNELL, STEPHEN R., PH.D.; Research Associate, University of Southern California, Andrus Gerontology Center; *Retirement Income Adequacy* — February 26, 1980

MCCORMICK, DEANE E., JR.; Member, Executive Committee of the Board of Directors; Association of Private Pension and Welfare Plans; *Public Meeting* — March 23, 1979; *Retirement Income Adequacy* — February 26, 1980

MCGINNIS, ROBERT J.; Teamsters for a Democratic Union; *Federal Administration of Pension Program/ERISA Funding Standards* — November 14, 1980

MCKENNEY, KATHY J.; Vice Chairperson, California Teachers Retirement Board, State Teachers Retirement System; *Retirement Ages and Income Adequacy* — February 25, 1980

MCLAREN, MIKE; Executive Director, Public Employees' Retirement Association of Minnesota; *Retirement Income Funding and Financing Issues* — June 12, 1980

MCNISH, THOMAS A.; Director, Funded Benefit Plans, Consumers Power Company; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979

MACKINNON, MALCOLM D.; Vice President and Actuary, Prudential Insurance Company; *Universal Private Pension Plan Coverage* — April 17, 1980

MACTAS, LEONARD, F.S.A., FCIA; Kwasha Lipton; *Social Security Integration* — October 10, 1979

MARCUS, BRUCE W.; Journalist; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

MARTIN, JAMES L.; Academy for Contemporary Social Problems; *Public Meeting* — March 23, 1979

MAUHS, JOHN S.; Deputy State Comptroller, New York Public Employees' Retirement System, State of New York; *Social Security Integration* — October 10, 1979

METT, MICHAEL R.; National Association of Counties; Supervisor, Milwaukee County, Wisconsin; *Disability and State and Local Retirement Issues* — October 19, 1979

METZENBAUM, SHELLEY; Technical Development Corporation; *Ownership, Control & Management of Pension Funds Assets* — December 10, 1979

MINCK, RICHARD; Executive Vice President, American Council of Life Insurance; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

MITGANG, IRIS; Chairperson, National Women's Political Caucus; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

MOE, DONALD M.; Representative, National Committee of State Legislatures, Pension Commission; Chairman, Minnesota House Committee on Governmental Operations, Minnesota State Legislature; *Ownership, Control & Management of Pension Funds Assets* — December 11, 1979; *Retirement Income Funding and Financing Issue* — June 12, 1980

MONTAGNOLI, PETER J.; Protect Our Pensions Committee; *Public Meeting* — June 22, 1979

MOORE, UDELL; National Association of Counties; *State/Local Government Roundtable Discussion* — June 13, 1980

MORAN, CHARLES A.; Senior Vice President, Manufacturers Hanover Trust; Chairman, American Bankers Association, Employee Trusts Commission; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

MORGENSTERN, MARTIN; Director, Employee Relations; Office of the Governor, State of California; *Retirement Income Adequacy* — February 26, 1980

MORRISON, MALCOLM; U.S. Department of Labor; *Early Retirement* — October 9, 1980

MUNNELL, ALICIA H.; Vice President, Federal Reserve Bank of Boston; *Role of Public vs. Private Pension Systems and Savings* — September 28, 1979

MURPHY, RICHARD E., JR.; Partner, McDermott, Will and Emery; Vice Chairman, Council of the Federal Taxation Section of the Illinois State Bar Association; *Pensions and Tax Policy* — September 12, 1980

MYERS, ROBERT J.; Member, National Commission on Social Security; Professor Emeritus of Actuarial Science, Temple University; *The Future of the Three-Legged Stool — Part II* — March 13, 1980; *Universal Social Security Coverage* — April 18, 1980; *Early Retirement* — October 9, 1980

NATALE, JOSEPH P.; Vice Chairman, Legislative Committee, National Conference of Public Employee Retirement Systems, *Universal Social Security Coverage* — April 18, 1980; *State/Local Government Roundtable Discussion* — June 13, 1980

NATHANSON, PHILLIP L.; Executive Director, San Bernardino County Office on Aging; *Retirement Income Adequacy* — February 26, 1980

NAYLE, ROBERT; *Vesting & Portability* — December 12, 1980

NEUBIG, THOMAS; Research Associate, Institute for Social Research, University of Michigan; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979

NOLAN, JOHN S.; Miller and Chevalier; *Tax Treatment of Pension Contributions and Benefits* — November 29, 1979

OAKAR, MARY ROSE; Congresswoman, U.S. House of Representatives; Represented by Jamil Rainaldin; *Social Security's Benefit Structure* — October 3, 1980

O'BRIEN, RICHARD; Director, ERISA Industry Advisory Committee (ERIC); Executive Compensation, General

Motors Corporation; *Ownership, Control & Management of Pension Fund Assets* — December 10, 1979; *Ownership and Control of Pension Fund Assets — Part II* — December 11, 1980

O'FARRELL, BRENDAN, JR.; Consulting Actuary, Municipal Employees Benefit Trust; President, American Society of Pension Actuaries; *Universal Social Security Coverage* — April 18, 1980; *Vesting and Portability* — December 12, 1980

OGDAHL, HARMON; National Conference of State Legislatures; *Disability and State and Local Retirement Issues* — October 19, 1979

OLIPHANT, TED, JR.; California Dentist Guild; Oregon Dental Association; Plan Consultant and Stockbroker, Donalson, Lufkin and Jenrette; *Retirement Income Adequacy* — February 26, 1980

OLTHOFF, KENNETH E.; Director, General Motors; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979

O'NEILL, JUNE; Program on Women and Family Planning, Urban Institute; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

OPPENHEIMER, JERRY; Partner, Mayer, Brown & Platt; *Pensions and Tax Policy* — September 12, 1980

OSSOFSKY, JACK; Executive Director, Retirement Planning Program, National Council on the Aging; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979

PAUL, ROBERT D.; Vice Chairman, Martin E. Segal Company; *Role of Public vs. Private Pension Systems and Savings* — September 28, 1979

PAULL, MARVIN J.; Actuary, Dan McGinn and Associates, Inc.; *Retirement Income Adequacy* — February 26, 1980

PELISH, MARK; Arnold and Porter; *Ownership, Control & Management of Pension Fund Assets* — December 10, 1979

PEPPER, CLAUDE; Congressman, U.S. House of Representatives; *Vesting & Portability* — Decemeber 12, 1980

POLS, CYNTHIA; National League of Cities; *Disability and State and Local Retirement Issue* — October 19, 1979

POSNER, JON; Representing, National Conference of State Legislatures; *State/Local Government Roundtable Discussion* — June 13, 1980

POULIN, CLAUDE; Assistant Director, Social Security Department, United Auto Workers; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

POUTIAINEN, KYOSTI; Director, Pension Insurance Company of Finland; *Universal Private Pension Plan Coverage* — April 17, 1980

PRENTICE, SARTELL, JR.; Profit Sharing Consultant; *Retirement Income Adequacy* — February 26, 1980

PREWITT, LEONARD; Vice Chairman, National Council Teacher Retirement; Executive Secretary, Teacher Retirement System of Texas; *State/Local Government Roundtable Discussion* — June 13, 1980

PRIEN, BARTHUS J. F.S.A.; Fellow, Society of Actuaries; Conference of Actuaries in Public Practice; Canadian Institute of Actuaries; President, Prien Associates, Inc.; *Retirement Income Adequacy* — February 26, 1980

PRINDLE, MARSHALL E.; Second Vice President, United Firefighters; *Retirement Income Adequacy* — February 26, 1980

PROSTEN, RICHARD; Director of Research, Public Employee Department, AFL-CIO; *Labor Roundtable Discussion* — February 4, 1980

PULLEN, DONALD; Business Manager, California League of Senior Citizens; *Retirement Income Adequacy* — February 26, 1980

RAPPAPORT, ANNA M.; Vice President, William M. Mercer, Inc.; *Retirement Ages* — August 21, 1979

RAVIKOFF, RONALD B.; Arnold and Porter; *Ownership, Control & Management of Pension Fund Assets* — December 10, 1980

RAY, JEANNE CULLIN; Assistant General Counsel, Mutual Life Insurance Co.; *Tax Treatment of Pension Contributions and Benefits* — November 29, 1979; *Pensions and Tax Policy* — September 12, 1980

ROBERTSON, A. HAEWORTH; Vice President, William M. Mercer, Inc.; *Role of Public vs. Private Pension Systems and Savings* — September 28, 1979

ROGERS, GAYLE THOMPSON; U.S. Social Security Administration; *Universal Private Pension Plan Coverage* — April 17, 1980

ROMIG, MICHAEL J.; Director, Human Resources and Employee Benefits, U.S. Chamber of Commerce; *Public Reaction to Universal Private Pension Plan Proposal* — September 25, 1980

ROSE, KENNETH; American Association of Private Pension Welfare Plans; *Vesting & Portability* — December 12, 1980

ROSS, STANFORD G.; Attorney, Califano, Ross and Heineman; Former Commissioner, U.S. Social Security Administration; *Universal Private Pension Plan Coverage* — April 17, 1980; *Social Security's Benefit Structure* — October 3, 1980

RUDD, ANDREW; Assistant Professor, Finance and Operations Research, Graduate School of Business and Public Administration, Cornell University; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

RUDNEY, GABRIEL; U.S. Department of Treasury; *Universal Private Pension Plan Coverage* — April 17, 1980

RUTHERFORD, THELMA; Citizens' Commission on Pension Policy; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

SALISBURY, DALLAS; Executive Director, Employee Benefits Research Institute; *Universal Private Pension Plan Coverage* — April 17, 1980

SALKIND, CHESTER J.; Executive Director, American Society of Pension Actuaries; *Public Meeting* — June 22, 1979; *Social Security Integration* — October 10, 1979

SANGER, EDWARD J.; Citizens' Commission on Pension Policy; *Retirement Income Adequacy* — January 11, 1980

SAUNDERS, RICHARD L.; Chairman, Municipal Employees Benefit Trust; *Universal Social Security Coverage* — April 18, 1980

SCHAITBERGER, HAROLD; Chairman, Liaison Committee, Fund for Assuring an Independent Retirement (FAIR); Legislative Director, International Association of Firefighters; *Disability and State and Local Retirement Issues* — October 19, 1979; *Universal Social Security Coverage* — April 18, 1980; *Early Retirement* — October 9, 1980; *Disability Issues* — November 21, 1980

SCHEIBER, SYLVESTER; Associate Director of Research; Universal Social Security Coverage Study Group; U.S. Department of Health, Education, and Welfare; *The Future of the Three-Legged Stool — Part II* — March 13, 1980

SCHIFFMAN, BEATRICE; Consultant, Employee, National Council on Aging; Community Services Administration; *Retirement Ages and Income Adequacy* — February 25, 1980

SCHNEIDER, MICHAEL; Department of Housing and Urban Development; *Retirement Income Funding and Financing Issues* — June 12, 1980

SCHOTLAND, ROY A.; Professor of Law, Georgetown University; *Ownership, Control & Management of Pension Fund Assets* — December 10, 1979

SCHREITMUELLER, RICHARD G.; Actuary, U.S. Social Security Administration; *Social Security Integration* — October 10, 1979

SCHROEDER, PATRICIA; Congresswoman, U.S. House of Representatives; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

SCHULZ, JAMES H.; Professor of Welfare Economics, Brandeis University; *Retirement Income Adequacy* — January 11, 1980

SCHWARTZ, DAVID; U.S. Department of Health and Human Services; *Social Security's Benefit Structure* — October 3, 1980

SCHWARTZ, GAIL E.; Manager, Washington Business Group on Health; *Disability Issues* — November 21, 1980

SCHWEKE, WILLIAM; Project Coordinator, Economic Development Project, Conference on Alternative State and Local Policies; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

SEBASTIAN, HAL; Manager of Benefits, Committee on Employee Benefits and Compensation, National Association of Manufacturers; Standard Oil Company; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

SEIDMAN, BERT; Director, Social Security Department; AFL—CIO; *Retirement Income Adequacy* — January 11, 1980; *Labor Roundtable Discussion* — February 4, 1980; *The Future of the Three-Legged Stool — Part II* — March 13, 1980; *Social Security's Benefit Structure* — October 3, 1980

SEIFMAN, DONALD H.; Counsel, United Food and Commerical Workers International Union; Seifman and Lechner; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

SHADUR, ROBERT C.; Vice President, Association for Advanced Life Underwriters; *Tax Treatment of Pension Contributions and Benefits* — November 29, 1979

SHANNON, GUY; Wyatt Co.; ERISA Industry Committee (ERIC); *Federal Administration of Pension Program/ERISA Funding Standards* — November 14, 1980

SHEFFEY, JOHN P.; Executive Vice President, National Association for Uniformed Services; *Disability and State and Local Retirement Issue* — October 19, 1979

SHEINKMAN, JACOB; Vice President, AFL-CIO; Industrial Union Department; *Labor Roundtable Discussion* — February 4, 1980

SHELTON, ROBERT; Federal Personnel Compensation Division, U.S. Government Accounting Office; *Early Retirement* — October 9, 1980

SHEPPARD, HAROLD L.; Director, Center on Work and Aging, American Institute for Research; *Retirement Ages* — August 21, 1979

SHERMAN, GERALD H.; Counsel, Association for Advance Life Underwriters; *Tax Treatment of Pension Contributions and Benefits* — November 29, 1979

SHIREY, JOHN; Legislative Counsel, *Disability and State and Local Retirement Issues* — October 19, 1979

SHORT, GEORGE; Alef and Short, A Professional Corporation; *Retirement Income Adequacy* — February 26, 1980

SHREVE, DARRELL R.; Staff, Minnesota State Planning Agency; *Retirement Income Funding and Financing Issues* — June 12, 1980

SIEGAL, ELIZABETH; Attorney, Women's Legal Defense Fund; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

SIDELL, WILLIAM; Vice President, Building and Construction Trades Department, AFL-CIO; General President, Brotherhood of Carpenters; *Ownership, Control and Management of Pension Fund Assets* — December 11, 1979

SIMMONS, ALTHEA; Director, Washington Bureau; National Association for the Advancement of Colored People; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

SINCLAIR, CLARA; Former President, Detroit Association of Schoolpersons; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979

SLOANE, MARILYN; National Assembly of National Voluntary Health and Social Welfare Organizations; Vice

President, National Health Welfare; Mutual Life Insurance Association; *Interim Report, Public Meeting* — October 25, 26, 1980

SMART, DON; Director, Wisconsin Center for Pension Policy; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

SMEDLEY, LAWRENCE; Associate Director, Social Security Department, AFL-CIO; *Retirement Income Adequacy* — January 11, 1980; *Labor Roundtable Discussion* — February 4, 1980; *Ownership and Control of Pension Fund Assets* — December 12, 1980

SMITH, A.J.C.; William M. Mercer, Inc.; Testimony presented by Thomas R. Waylett; *Retirement Income Adequacy* — January 11, 1980

SMITH, ROGER; Greenwich Research Associates; *Ownership, Control & Management of Pension Fund Assets* — December 10, 1979

SMITH, VAN P.; U.S. Chamber of Commerce; Chairman and President, Ontario Corporation; *Public Reaction to Universal Private Pension Plan Proposal* — September 25, 1980

SORENSON, DOUGLAS J.; Office of Assistant Secretary — Tax Policy, U.S. Department of the Treasury; *Tax Treatment of Pension Contributions and Benefit* — November 29, 1979

SPAIN, CATHY; Municipal Finance Officers Association; *Disability and State and Local Retirement Issues* — October 19, 1979

SPANIOLA, FRANCIS R.; Retirement Committee, Michigan State Legislature; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979

SPENCER, WILLIAM; Chairman, Governmental Affairs Committee, American Society of Pension Actuaries; *Social Security Integration* — October 10, 1979

SPIELMAN, PHYLLIS; Administrator, Pension Protection Division, Minnesota Department of Labor and Industry; Member, National Advisory Committee for the Pension Benefit Guaranty Corporation; *Retirement Income Funding and Financing Issues* — June 12, 1980

SPOHN, ROBERT R.; Urban Elderly Coalition; Deputy Commissioner, New York City Department on Aging; *Retirment Income Adequacy* — January 11, 1980

STERLING, SCOTT; National Employee Benefits Institute; *Public Meeting* — June 22, 1979

STEWART, TERRY; Women's Equity Action League; Graduate Student, University of Maryland; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

STONE, ROBERT; General Counsel, ERISA Industry Committee (ERIC); IBM; *Vesting & Portability* — December 12, 1980

STRAW, RONNIE J.; Director, Development and Research Department, Communication Workers of America; *Role of Public vs. Private Pension Systems and Savings* — September 28, 1979; *Tax Treatment of Pension Contributions and Benefits* — November 29, 1979; *Pension Income and Coverage of Women and Minorities* — November 30, 1979; *Ownership, Control & Management of Pension Fund Assets* — December 10, 1979; and *Retirement Income Adequacy* — January 11, 1980

STRICKLAND, VERNON; Director, Louisiana State Employees' Retirement System; *Universal Social Security Coverage* — April 18, 1980

STUCHNER, THERESA, B.; Consulting Actuary, Kwasha Lipton; *Tax Treatment of Pension Contributions and Benefits* — November 29, 1979

SUBLETTE, DONALD J.; Chairman, Legislation Committee, Detroit Retired City Employees' Association; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979

SUGARMAN, ROBERT A.; Attorney; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

SUNSHINE, JONATHAN; Office of Management and Budget, U.S. Executive Office of the President; *Disability and*

State and Local Retirement Issues — October 19, 1979; *Disability Issues* — November 21, 1980

SWICK, GEORGE B.; Employee Benefits Research Institute; Chairman of the Board; Buck Consultants; *Retirement Income Inadequacy* — January 11, 1980; *Federal Administration of Pension Program/ERISA Funding Standards* — November 14, 1980

SYME, DONALD; President; Executive Institute; *Retirement Income Adequacy* — February 26, 1980

TAYLOR, SUZANNE S.; Coordinator of Research, Connecticut Education Association; *Universal Social Security Coverage* — April 18, 1980

THOME, MICHAEL; Representative, California State Teachers Retirement System; Municipal Finance Officers Association; *State/Local Government Roundtable Discussion* — June 13, 1980

THOMPSON, LAWRENCE; Associate Commissioner for Policy, U.S. Social Security Administration; Executive Director; Social Security Advisory Council, 1979; *The Future of the Three-Legged Stool — Part II* — March 13, 1980

THOMPSON, ROBERT T.; U.S. Chamber of Commerce; Compton, Mann and Hartman; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

THURSTON, ELIZABETH; Citizens' Commission on Pension Policy; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

TORRES-GIL, FERNANDO; Ethel Percy Andrus Gerontology Center, University of Southern California; *Early Retirement* — October 9, 1980

TREGO, GEOFFREY; National Association of Counties; *State/Local Government Roundtable Discussion* — June 13, 1980

VAN DE WATER, PAUL N.; U.S. Social Security Administration; *Disability and State and Local Retirement Issues* — October 19, 1979

VINE, CLAUDIA; National Association of Manufacturers; *Universal Private Pension Plan Coverage* — April 17, 1980

WAHLBERG, DEAN A.; American Council of Life Insurance; *Pension Income and Coverage of Women and Minorities* — November 30, 1979; *Universal Social Security Coverage* — April 18, 1980

WALLACE, EDWARD C.; Assistant Executive Director, National Center on Black Aged; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

WALTON, DENNIS; Business Manager, Local 675, Operating Engineers Pension Fund; *Ownership, Control & Management of Pension Fund Assets* — December 11, 1979

WAYLETT, THOMAS R.; Vice President, William M. Mercer, Inc.; Testimony presented by A.J.C. Smith; *Retirement Income Adequacy* — January 11, 1980

WEAVER, NAT; President, Retirement Accounts, Inc.; *Public Meeting* — June 22, 1979

WEINTRAUB, RICHARD; Mercantile-Safe Deposit and Trust Company; *Tax Treatment of Pension Contribution and Benefits* — November 29, 1979

WERTHEIMER, RICHARD F., II; Senior Research Associate, The Urban Institute; *Retirement Income Adequacy* — January 11, 1980

WETHERILLE, ROBERT E.; Chairman, National Conference of Public Employee Retirement Systems; *Universal Social Security Coverage* — April 18, 1980; *Retirement Income Funding and Financing Issue* — June 12, 1980

WHITE, JOHN J.; Chairman and Board Member, Detroit Wayne County Area Agency On Aging; *Adequate Retirement Income In An Inflationary Era* — October 24, 1979

WOURINEN, ROBERT; Seafarers Union; *Vesting & Portability* — December 12, 1980

YAISSLE, JOHN; Member, Governor's Small Business Council; Legislative Chairman, Greater Pottsville Area Chamber of Commerce; Delegate, White House Conference on Small Business; *Universal Private Pension Plan Coverage* — April 17, 1980

YOUNG, FAY; Gray Panthers; *Pension Income and Coverage of Women and Minorities* — November 30, 1979

ZAINALDIN, JAMIL; Staff Member, Committee on Aging; Presenting Testimony on behalf of Mary Rose Oakar; *Social Security Benefit Structure* — October 3, 1980

ZEIGLER, WILLIAM; Chairman, National Employee Benefits Institute; Director, Compensation and Benefits, Wilson Foods Corporation; *The Future of the Three-Legged Stool — Part II* — March 13, 1980

Speeches and Briefings

Over the course of the Commission's work, the Executive Director addressed a wide range of interest groups and testified before committees in both the U.S. House of Representatives and U.S. Senate to advise them of the Commission's progress. The following list indicates the organizations addressed, the date and location of the meeting.

Speeches:

International Pension Insurers Conference
(International Meeting of Pension Insurers Sponsored by PBGC)
Washington, DC
June 26, 1979

Western Pension Conference
Eighteenth Annual Meeting
Vancouver, BC, Canada
August 14, 1979

National Conference of State Legislatures
(Pension Task Force Meeting)
San Francisco, California
July 23, 1979

Citizens' Commission on Pension Policy
Washington, DC
Sept 29, 1979

National Association of Manufacturers
Fall Policy Meeting
New York, New York
Sept 26, 1979

National Symposium on Public Employee Retirement Systems
Washington, DC
Sept 27, 1979

American Society of Pension Actuaries
Eleventh Annual Conference
Chicago, Illinois
October 5, 1979

Western Conference of Teamsters Pension Trust Fund
Topic — New Directions in Retirement Income Policy
Washington, DC
Oct 17, 1979

Chamber of Commerce
Corporate Executive Development Program on Employee Benefits
October 25, 1979

Employee Benefit Research Institute
Washington, DC
Dec 5, 1979

Employee Benefit Research Institute
Second Policy Forum
Dec 6, 1979

Industrial Relations Research Association
Topic — Pensions and Social Security
Atlanta, Georgia
Dec 28, 1979

National Conference on Public Employee Retirement Systems
Lake Buena Vista, Florida
April 14, 1980

Senate Special Committee on Aging
Topic — Work after 65: Options for the 80s
Washington, DC
April 24, 1980

Pre-White House Conference on Aging
Annapolis, Maryland
May 19, 1980

Portland Chapter/Western Pension Conference
Portland, Oregon
May 27, 1980

Seattle Chapter/Western Pension Conference
Seattle, Washington
May 28, 1980

San Francisco Chapter/Western Pension Conference
San Francisco, California
May 29, 1980

International Foundation of Employee Benefit Plans
Washington, DC
June 2, 1980

Midwest Pension Conference Annual Education Seminar
Dearborn, Michigan
June 4, 1980

Conference on the Economic and Employment Aspects of Aging in the US and Japan
New York, New York
June 6, 1980

Employee Benefit Research Institute — Third Policy Forum
Washington, DC
June 23, 1980

Hearing on Social Security Earnings Test
House Select Committee on Aging
Washington, DC
June 26, 1980

EBRI Workshop: The Application of Modeling Techniques to Retirement Income Policy Issues
Washington, DC
July 16, 1980

Denver Chapter/Western Pension Conference
July 17, 1980

National Bureau of Economic Research (Policy Perspectives on the President's Commission Survey)
Cambridge, Massachusetts
July 18, 1980

National Commission on Social Security
Washington, DC
July 31, 1980

Citizens' Commission on Pension Policy
Washington, DC
Sept 5, 6, and 7, 1980

ERISA Industry Committee (ERIC)
Washington, DC
Sept 10, 1980

International Benefits Information Service (IBIS)
Toronto, Ontario, Canada
Sept. 26, 1980

American Society of Pension Actuaries
New Orleans, Louisiana
Oct 7, 1980

ALI-ABA Course of Study on Pension, Profit-Sharing, and Other Deferred Compensation Plans
Washington, DC
Oct 11, 1980

Council on Employee Benefits Fall Conference
New York City
Oct 16, 1980

Southern Economic Association
Topic — Labor Markets and The Problem of Risk
Washington, DC
Nov 6, 1980

Hearing of the Senate Special Committee on Aging on "Retirement Benefits: Are They Fair and Are They Enough?"
Fort Leavenworth, Kansas
Nov 8, 1980

National Journal
Retirement Income: Who Gets How Much and Who Pays?
Washington, DC
November 17-18, 1980

Southern Pension Conference
Sea Island, Georgia
Nov 20, 1980

Senate Special Committee on Aging
December 2, 1980

Briefings:

August 3, 1979
Private Sector Groups

August 22, 1979
Labor

August 24, 1979
State and Local

October 15, 1979
Congressional

November 2, 1979
Executive Branch Staff

November 9, 1979
Senior Citizens/Aging

January 9, 1980
Labor

January 22, 1980
Private Sector

February 7, 1980
Senior Citizens/Aging Groups

February 19, 1980
State and Local

March 27, 1980
Congressional

May 16, 1980
Urban Consortium — The White House

June 9, 1980
Senior Citizens/Aging Groups

June 9, 1980
Congressional

June 9, 1980
US Chamber of Commerce

June 10, 1980
Labor Union/Senior Citizens

June 10, 1980
State and Local

June 10, 1980
Executive Branch

June 24, 1980
Alexander & Alexander, Inc.

August 22, 1980
US Chamber of Commerce

September 11, 1980
U.S. Chamber of Commerce
Employee Benefits ERISA Subcommittee

October 22, 1980
U.S. Chamber of Commerce

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